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Morton, John A. J.

The industrial counterpoise
as the foundation for...

[London]

[Pref. 1917]

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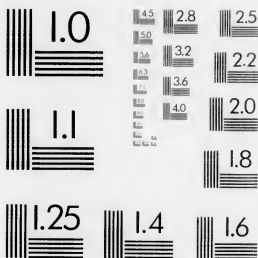
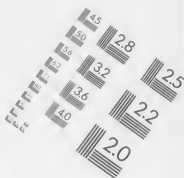
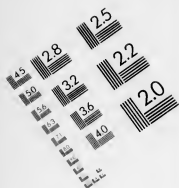
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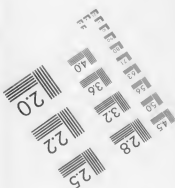
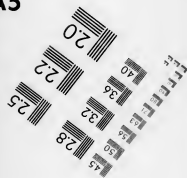
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THE
Industrial Counterpoise

As the foundation for Social Harmony
and Universal Peace.

BY
JOHN A. J. MORTON.

PUBLISHED FOR THE AUTHOR
by
THE ATHENÆUM PRESS,
11 and 13, Bream's Buildings, Chancery Lane, E.C.4.

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PREFACE.

THE proposition contained in the following pages is not an outcome of the war. A brief statement of it was, in fact, published as an anonymous suggestion in 1903, in the form of a brochure entitled 'A Scheme for a National Minimum Wage and the Extermination of Poverty.' The need for a radical alteration of the industrial system is not one whit less urgent to-day than it was then, despite the far-reaching reforms that have since been placed upon the statute-book; and the elaboration of the proposal, as here presented, and which was substantially completed before the war broke out, was undertaken in the hope that it might reach the public ear and so shape reform as to prevent such a catastrophe as has actually befallen the most enlightened nations of the earth.

The publication of the proposal, in its present form, seems particularly opportune at this juncture because the war throws certain features of the scheme into prominence. The exigencies of the war actually necessitate the adoption of certain innovatory expedients that are embodied in the scheme as essential to secure industrial harmony. This fact should, at least, dispel the prejudice and incredulity with which these expedients, in their special setting, have been largely received.

This colossal war exhibits, in its most extreme form, the truth, emphasized at the outset, that within the breast of one and the same individual there are still lodged the two mutually destructive moral forces which Herbert Spencer designates the religion of enmity and the religion of amity. The combatant soldiers, in opposite trenches, who are now trying to kill or mutilate one another, are capable at the same time of genuine friendship immediately on the cessation of, or even during, hostilities. And it is probably not far from the truth to say that, had the true cause of the war been submitted to the unbiased judgment of those so intimately interested in it, the idea of resorting to such inhuman extremities would have appeared the height of absurdity. Unfortunately, civilizing influences have not yet produced in society, even of the most democratic nature, those conditions which admit of so vital a matter being submitted to each individual concerned, or of the possibility of a genuinely unbiased opinion being formed if, indeed, it could be so submitted. So great are the economic and social obstacles created

in times of peace by the incessant conflict of personal interests that man's exercise to the full of his intellectual faculties, as well as of his social rights, is impossible; thus are we familiarized with the modern paradox of naturally peaceable and harmless men being drawn out, against their will, to fight equally peaceable and harmless fellowmen in a cause as to which they may be completely ignorant or even deliberately deceived. Little is to be expected, therefore, from that movement which aims at the vesting of ultimate authority in matters of such supreme importance as war in the hands of the democracy, until such social and industrial conditions are brought about as will secure to the mass of the people the intellectual and other power that will enable them to give due consideration to, intelligently weigh, and form an unbiased judgment on, such questions.

It will be seen that one of the expedients which the proposal, to be explained, adopts is the systematic transference of labour from one industry to another. Fluctuations in trade, the introduction of new machinery, with the permanent decay of some industries and the growth of others, means that workers are constantly being thrown out of work—some temporarily, others permanently. It seems a palpable social injustice that these people should suffer by reason of such industrial fluctuations over which they have no control, and the transference of such labour to other industries in which the labour is required would appear to be a most reasonable and necessary industrial development. Before the war this suggestion was received with no small amount of ridicule. In this country, where labour had settled down into apparently permanent grooves, the idea of a man, especially a skilled man, taking up an entirely new employment could scarcely be imagined. The demands of the war have, however, completely transformed opinion on this matter and, besides the fact that so large a proportion of the male population have actually adapted themselves to the military profession, we have both men and women employed in, or training for, altogether new industrial occupations, and there are innumerable suggestions and ideas for further and more drastic changes in this direction—even children being thought capable of being trained to perform services now performed by older people. The pre-war attitude of the public mind towards this question may be appropriately illustrated by the concluding paragraph of a column article headed 'Utopia: a Manchester Proposal to Abolish Poverty,' which *The Daily Dispatch* of July 2, 1903, very liberally devoted to a review of the brochure above mentioned. "It is all very

well," says the article, "to ask the Government to provide work for all classes of the unemployed, but can work be found at all seasons of the year for the displaced gold-beater, jeweller, watch-maker, mechanic, cotton spinner, miner, electrical engineer, baker and candlestick maker, and every other of the thousand and one trades and occupations which go to make up the sum total of our industrial life? The suggestion is ridiculous and unpracticable." The basic misconception here is the impracticability of usefully transferring labour from one industry or profession to another. A mind harbouring this misconception will obviously not see the possibility of transferring and training a portion of labour to new occupations with the special design of meeting the varying demands of industry as definitely expressed through the medium of a central controlling power; the ultimate object of such an organization—the deliberate control of industry so as to make involuntary unemployment, seasonal or cyclical, altogether unnecessary—will, consequently, not even dawn on a mind so prepossessed. This quick change is remarkable in itself, but is more remarkable by contrast with times of peace. To what extremes opinion on this point has now turned may be seen from the fact that even the piano-tuner is thought capable of work on the land. But probably the greatest, and certainly the saddest, contrast is to be seen in the efforts now being made to establish a national system by which the soldiers maimed in the war may be taught and trained in altogether new avocations. The man who was whole and physically fit before the war was deemed incapable of entering another trade, but, coming back minus one or more limbs and, perhaps, otherwise afflicted, he is considered quite capable of taking up some new occupation by which he can earn his own living. We have, in fact, the spectacle of an enlightened and professedly Christian nation throwing away old standing customs and conventionalities and adopting any or all innovations and changes that suggest themselves as conducive to the successful prosecution of war; while for the promotion of peace these same innovations would be scouted as obviously unpractical, if not ridiculous.

Another expedient resorted to by the war government and duly assimilated by the country is that of paper money. The adoption of a paper money, on a limited scale and for a definite purpose, is one of the innovations contemplated by the present scheme. In countries already using a paper currency there is not, of course, the prejudice against it that is to be found in this

country, where practically the only money handled by the masses, in times of peace, is coin. The extent to which paper has been used since the commencement of the war is ample proof that the proposed double currency—coin and paper—would be an innovation susceptible of ready adaptation to present industrial methods, providing its introduction would serve a useful purpose.

The view presented in the chapter on 'Parasitic Wealth,' of the parasitic nature of our wealth-production seems to receive remarkable confirmation in the fact that some seven or eight million workers—approaching half the working population—are withdrawn from ordinary industry to expand the essentially parasitic occupations of our naval and military forces, with the civil occupations that directly and indirectly support them. The remainder of the working population are, therefore, engaged in the production of both the real and parasitic wealth necessary to sustain the whole at a certain minimum. That these war conditions might continue for years, if necessary, seems to indicate pretty clearly the immense amount of wealth that may be diverted to absolute waste without appreciably altering the comparative wealth-earning position of the working-classes, and that, therefore, in times of peace, the diversion of wealth from the workers, who produce it, does actually take place on such an extensive scale.

Another truth that the effect of the war ought to make unmistakably plain is that the real value of wages—their actual purchasing power—is not to be permanently altered by any artificial device which leaves competition free to readjust values. It had, before the war, become a well-recognized fact that the readjustment of values following the action of economic forces slowly, but surely, re-establishes the relative economic position of labour at about the same level whatever means—whether trade-union or Government regulation—might be taken to increase artificially the portion of labour. During the war, this process has taken place under our very eyes, so to say, in so short a time that it may be considered to have taken place suddenly. The economic changes are, of course, incomplete, but, speaking broadly, wages have, with the aid of war bonuses, gone up in spite of the forces at work to keep them down, and the prices of commodities have also gone up, tending to keep the real value of labour at its old standard. In face of these undoubted effects of the operation of competitive forces, it seems strange that so much faith should still be placed in the fixing

of statutory minimum wages. This is a subject to which some attention is given in the chapter on the 'Labour Movement.'

The war, too, has created such conditions as to warrant a much higher initial wage than would be safe and feasible under normal conditions. Wages are comparatively high, and the margin of unemployed is probably less than it ever could be under peace conditions. This is an advantage which would greatly facilitate the firm establishment of the new industrial order.

It is everywhere recognized that with the close of the war there will be a serious problem to face in the war's aftermath. It is natural that much thought should now be given to this question, the magnitude and seriousness of which are without precedent. The indications so far discernible, however, point to the adoption of no other than the old familiar methods of dealing with poverty and distress; there is, apparently, to be a national organization commensurate with the mass of labour to be handled, for transforming the war condition back to the peace conditions existing before the war. The men who have suffered in the war thus come back to their country to re-enter the sphere of industrial struggle and settle down again to the same old conditions.

The productive force of modern industrial methods, given adequate means of expression, would be sufficient not only to make handsome provision for those who have lost their husbands, fathers, brothers or sisters in the war, and for those who return maimed, but would also make the financial burden of the war a matter of comparatively small importance. The industrial organization here contemplated aims at such a fundamental change in industry as will not only make adequate provision for the war's demands but effect such an alteration in the basis of industry as to make future wars impossible.

The Russian revolution if, as we all sincerely hope, it results in the permanent establishment of a democratic form of government, is an unlooked-for outcome of the war which must ensure to the masses of the Russian people a political freedom from which they may hope, by the right use of their new political power, to attain that economic freedom without which existence, even under republics, is for the greater part of humanity a long demoralizing life-struggle. The attainment of a democratic form of government is, therefore, by no means the real social goal of the masses. Nor should it be overlooked that, at the present time in Russia, as in other democratic countries, there is a not-insignificant section of the public intent on the overturn

of "capitalism," and whose political activities, therefore, foster, and are designed to foster, the class war. The culmination of the policy of the class war would, of course, be a revolution for the overthrow of the then existing capitalists and wealthy classes, and would not, if successful, in the least alter the nature of the system of industry which arises naturally from the economic actions of the masses themselves. Of such revolutions there is a real danger, unless a more reasonable economic system comes into being—governments, plutocratic and monarchic, may, in fact, in the course of generations, be overthrown again and again and alternations between despotisms and democracies continue for centuries. Incidentally, it may be worth while remarking that the propagandism of this extreme revolutionary socialism contains the most extreme distortion of the truth as regards the relation of social progress to "evolution." This applies more particularly to the American side of the Atlantic, where the writer has heard the orator of this school of socialism instilling the revolutionary spirit into his audience by showing from evolution in physical nature that revolutions form a necessary part of "evolution," and that the evolution of society could only proceed by the same method. It is this view of the connexion between physical and social evolution, though in its milder form as held in this country, that prompted the chapter on 'Evolutionary Theory and Social Progress.' The prevalence of this view in its mild form may also be illustrated by the article of *The Daily Dispatch* referred to above, where the reviewer informs us that "Society is a living growth, not a manufacture," and states that "The main point the author has forgotten is that the whole of progressive tendencies are along evolutionary rather than creative lines."

If the eagerness, now displayed in the organization for war, to adopt any innovation conducive to its successful prosecution could only be shown in the quest for the organization for peace, great hopes might be entertained of the happy consummation of this nobler ideal.

J. A. J. M.

Norcott Brook,
Warrington.

April 21, 1917.

Chapter I. INTRODUCTION.

"Behold, then, men united and hostile at the same time, on one side, if we may be allowed the expression, embracing each other, and on the other endeavouring mutually to wound each other. Laws are the chains, more or less efficacious, which are destined to suspend or to restrain their blows."—D'Alembert, *Analysis Montesquieu's 'Spirit of Laws.'*

"It would clear up our ideas about many things, if we distinctly recognized the truth that we have two religions. Primitive humanity has but one. The two are opposed; and we who live midway in the course of civilization have to believe in both."—Herbert Spencer, 'The Study of Sociology,' chap. viii.

THE strange phenomenon to which allusion is made in the foregoing passages impresses itself upon our attention with more or less definiteness and importance according to the light in which we regard sociological phenomena generally.

Throughout the length and breadth of civilized society, in the home, in the Church, in the press, in our educational institutions, in politics and legislation, and in every other department of social activity, there is dominating all social aspirations, the ideal of the reign of justice, right, brotherhood and peace. Opposed to this is the practice of the direct opposite of our ideal— injustice, wrong, social discord and the many forms of industrial strife culminating, all too often, in the brutality of human butchery or civilized warfare. This contrast naturally gives rise to the notion that civilization is largely a system of organized hypocrisy.

There lurks, then, within the human breast some mysterious influence by which our best intentions are neutralized, if not transformed. The power of this insidious compulsion, forcing us to do the direct opposite of what our desires would dictate, may be roughly estimated by every one who will take the trouble to analyse his own actions and their motives. Our own individual experience teaches us that, in every sphere of life, we have to consult our material interests in determining our social actions, and that these, oftener than not, dictate a course we should not choose of our own free will. From this we may reasonably infer that the higher aspirations of humanity are held in bondage to the power of material interests.

It is more than a mere probability that, were full expression of human desire possible, the spirit of amity would be found the dominant moral force, in the sense that the majority of the human beings constituting civilized society are influenced more by the religion of amity than by the religion of enmity. This, however, must not shut out of sight the possibility that, under existing conditions, the religion of enmity may influence a minority to

a greater extent than that of amity, and that this must necessarily tend to accentuate that semi-conscious state of social strife in which all alike are actuated, to some extent, by the selfish as opposed to the altruistic spirit. Thus, the religion of enmity becomes strongly entrenched around vested interests by which it obtains undue power, imparting its character broadly to a society which would otherwise present features marked by the very opposite.

That the hostility of men, inherent in modern industrial communities, creates a condition of society presenting phenomena akin to those exhibited by a state of war needs no further evidence than the constant political activities whose aim is to forge "those chains, more or less efficacious, which are destined to suspend or restrain their blows." In spite, however, of the enormous amount of legislation, dealing with every phase of the complex question put into force in modern times, there seems, to judge by results, to be very little, if any, impression made on the relative adjustment of these hostile forces in human nature. Spencer refers to these antagonistic religions as "both requisite in our transitional state," and urges the necessity of making due allowance for the two conflicting forces in forming our opinion of social phenomena.

What seems of more importance, however, is the necessity for some such social re-adjustment as will actually modify the relationship of the two religions. If, as Spencer suggests, the religion of enmity is to be gradually supplanted by the religion of amity, it is a reasonable inference that such modifications of society must be introduced as will make the assertion of self less and less necessary and consideration for others more and more possible.

Much moral teaching, especially that emanating from the Christian Church, seems to assume the possibility of a man's applying his moral precepts under any circumstances. The underlying idea here is that the just regulation of the conduct of man towards man, in all economic or social intercourse, will be the natural and spontaneous consequence of the spirit of amity permeating society. The reformation of the individual is, thus, the all-important object, and its accomplishment would presumably do away with all need of political reform, for the natural impulse springing from within would make altogether superfluous outside social regulation.

The belief that any two men may, between themselves, so regulate their dealings as to ensure a Christian standard of living without reference to the community at large, whose complicated mechanism, from an economic standpoint, confines their activities and social outlook within very narrow limits, involves a flight of imagination analogous to the process of assigning equivalent producing values to two insignificant parts of a great complicated machine without taking into account the value of the total output of the machine and its due apportionment

amongst its parts. However desirous a man may be to deal justly with his fellow man, the complexity of modern society so completely obscures both his own and his neighbour's true economic position that he is forced, in self-defence and contrary to his wish, to consider mainly his own interests.

If the spirit of amity is the moral force by which our industrial system will eventually be actuated, a definitely designed economic system would appear to be as necessary for its expression as the mechanism of a locomotive is for the transmission of its motive force. Let us conceive, by way of illustration, a small community of twelve Christian men mutually engaged in production and exchange. It is clear that if, through a fault in organization, the distribution became so unequal as to place four of their number on the verge of poverty whilst the remaining eight enjoyed a superabundance, the actual industrial practice would be out of harmony with their Christian principles until the fault in distribution had been rectified. In this hypothetical case, the smallness of the number involved making such a fault easy of detection, the course to adopt would be evident to all concerned and the remedy at once applied for effecting a just distribution. It is to be assumed that the consciences of the eight well-circumstanced would not allow them to rest until the four were "being done to as they would like to be done to" in the same circumstances, and the proper remedy applied. Being in the majority, the eight would thus have, not only the will, but the political power to effect the change; and this consideration prompts the reflection that, even if the minority of four were not themselves Christians, the Christian spirit dominating the action of the majority would dictate the same course. Although the four are, by hypothesis, Christians one may reasonably assume that they would, at least, be so far influenced by the spirit of selfishness as to demand their economic rights; and we have here, as it would seem, an indication of the condition necessary for the relative adjustment of the two opposed religions—each member of the little community would have sufficient of the altruistic spirit to grant each of the others what he himself enjoyed, whilst each would also possess sufficient of the selfish spirit to demand what others enjoyed. It is quite evident, however, that the actual adjustment depends absolutely upon a suitable economic system, or, in other words, upon an adequate industrial organization. The error of attributing the poverty of the minority to their moral defects instead of to defective organization could, in such a case, scarcely arise.

Now, if the adjustment of the two opposing moral forces in social practice is dependent upon the institution of a certain industrial or social organization, the quest for this latter is not less important than the inculcation of the spirit of altruism. The problem of social readjustment is, of course, infinitely more complicated in the case of a modern industrial community of forty or fifty millions of people than it appears in the case of our

small hypothetical community; but, until it is solved, the spirit of enmity must continue to assert itself in flagrant defiance of the dictates of an all-pervading spirit of amity. The influence of the Christian Church, immense though it be, is, in itself, not sufficient to impart to society a régime founded on the spirit of amity that it teaches. The social conflict is not only strong enough to break the bonds of amity existing between brethren of the same Church, but also the bonds of kinship between brothers of the same family, as is so often evidenced by family disputes relating to inheritances and other forms of property interests.

The attitude of the Church is one of conspicuous inconsistency. The code of moral duties which it teaches is, as a practical guide in business, repudiated with ridicule, not only by professing lay Christians but even by many of the professional teachers, who would regard a person actually attempting to put his Christian principles into practice in his business as obviously simple-minded, if not something worse. We have a further striking contrast in the heartlessness displayed by the Church in turning its back upon those who, having been so far influenced as to try to put their principles into practice, become social failures, and the marked respect and honour shown towards those who, having discarded their Christian principles, become social successes. This extreme insincerity must necessarily exert a powerful debasing influence on the Christian standard of morals, if it does not actually amount to a prostitution of the Christian ideal.

Not only is the spirit of altruism impossible of application without economic adaptation, but the practical assertion of reasonable self-interest is equally so. Great federations of labour, though they may be as powerful in social and political influence as the Church, are quite as powerless to attain their ideals.

An adequate industrial arrangement being absolutely necessary to permit the practical expression of our social ideals, the want of this would appear to be the main obstacle to the ascendancy of the spirit of amity.

That there may be brought about, then, such a radical change in the basis of industry as will obviate the need for the exercise of excessive selfishness and the spirit of enmity, it is necessary to consider in what manner and to what extent this spirit of enmity is embedded in the present economic system. This consideration forms the subject of the next chapter.

CHAPTER II.

Blind Economic Forces.

WHATEVER views are held of our industrial system there seems to be a general agreement that there is not much wrong with the method of expressing our economic "demand." To the mass, who give little thought to questions of political economy, the prevailing practice will appear most natural, and, therefore, will suggest no possibility that there may be rooted in this familiar process a fundamental error responsible for infinite mischief to themselves. On the other hand, those who do make a study of industrial and economic questions appear to regard the correctness of the method as axiomatic. The problem of our professional economists, in its practical aspect, would appear to be "Given a population of millions of human beings expressing their economic demands in a blind, orderless manner, to discover how to effect an equitable distribution of wealth."

We express our economic demand when we make our daily or weekly purchases at the grocer's, baker's, butcher's, tailor's, or at any other of the numerous establishments which supply us with commodities or services that serve our temporal needs. The fact that an individual, one, say, of a nation of forty millions, is giving expression to only a forty-millionth part of the aggregate demand may appear in itself insignificant. It is evident, however, that such a fraction of demand is not too insignificant to be registered, in the rough way it is registered, under our present system, and that whether the individual demand be little or much it goes to make up the aggregate of "demand" to which "supply" must eventually conform, thus determining the nature and extent of production and the labour thereto applied. The large class of retailers form the first step in the process of collecting demands or centralizing custom. The retailers pass on the portions that they have been able to collect to a smaller class of merchants, wholesalers or other middlemen who, in turn, pass on the concentrated demands to be further concentrated in the hands of a smaller class of manufacturers, where the aggregate demand thus eventually comes to the point at which production is adjusted to it.

This public expression of demand is characterized by complete absence of order, in the sense that wants are expressed with due consideration for the wants of others. An individual, the very poorest as well as the man of wealth, makes his purchases quite oblivious of the possibility that his demands may tend to cause such fluctuations in trade as to deprive some one else for a time of the means of purchase. This blind "demand," actuating as it does the whole industrial system, has certain inevitable consequences which determine the general features of industry.

In the first place, there results, as an accompaniment of our custom or economic demand, a most important condition that is co-extensive with industry. This condition is that of *cheapness*, meaning, by this term, not inferior goods but as low a price as actual industrial conditions will admit. We do not, as a rule, give one tradesman more for any commodity than we should have to give to another tradesman for the same article. If one tradesman sells his goods at a lower price than his neighbours, whether by sacrificing his goods or because he has found means of reducing the prime cost of his wares, trade will gravitate towards this tradesman, with the result, probably, if he can continue to make a profit at the reduced prices, of either securing his neighbours' trade or forcing them to reduce their prices to the level of his own in order that they may retain their own trade. This propensity of the public to follow closely the falling price is so well recognized by traders that they everywhere lay themselves out to supply their wares at as low a price as their neighbours, if not to undersell them, relying largely, for the purpose of retaining and extending their trade, on such minor inducements as greater civility, special services, reliability as regards quality and the like.

To realize the full importance of this condition of *cheapness* on which the public insist, we must bear in mind that it is passed on with the same stringency by the retailers to the merchants and wholesalers, and by these again to the manufacturers. Thus all alike must bend to the inexorable law of cheapness unconsciously laid down by the public as consumers. Nor does the effect of this law end with the manufacturers as sellers, for as purchasers of labour they must of necessity deal with their workmen on the same lines and employ the cheapest labour they can obtain consistently with efficiency. And so the very conditions which the public, as consumers, insist on at one end of the economic chain they find binding themselves, as producers, at the other end.

A second consequence of the blind expression of demand involves the speculative element in industry. Inasmuch as there is no formal, and therefore certain, adjustment of a corresponding "supply" to our several "demands," the actual adjustment takes place only indirectly through the intermediary of a series of economic operations all conducted under conditions of uncertainty. There being no common centre for the concentration of the millions of fragments of demand and the direct organization of production in conformity therewith, this function is performed by the series of retailers, merchants, and manufacturers, the aggregate demand thus coming to be distributed amongst a class of independent capitalists engaged in production.

The operations of the capitalist are, as we know, attended with more or less risk consequent on fluctuations in public demand and the general uncertainties always existing in industry and commerce. A capitalist, whether he be a large manufacturer

or a small retailer, cannot escape all risk. He estimates as nearly as he can the amount of business he is likely to transact and the expenses he is likely to incur; if the estimated revenue over expenses is sufficient to warrant the risk of the capital outlay, he undertakes the business. The actual trading may exceed or fall short of his estimate, but if the total revenue exceeds the total outgo, he makes a profit and can continue to trade as long as a profit is shown. The idea of running a business with a certainty of making the income and outgo exactly equal in spite of industrial and social uncertainties is, of course, obviously unreasonable. The speculative element in industry, therefore, means *profit-making*, and this is consequently inherent in the present system.

A further consequence of the unorganized expression of demand is the necessity of industrial competition. As we have seen, the employment of capital in industry is, in the very nature of things, dependent upon the making of profit; its employment at a loss is impossible, for it would soon disappear altogether; and its employment without either profit or loss is impracticable. The risk of loss naturally compels a capitalist to resort to every legal means of making a profit, and his interests inevitably come into conflict with others similarly engaged in profit-making. The development of the industrial struggle, in its extreme form, is natural and inevitable, for the fear of industrial death is a motive strong enough to inflict industrial death on others. While the employment of capital may more clearly illustrate the inevitable nature of competition, the industrial struggle is not, of course, peculiar, much less confined, to those popularly known as "capitalists" but affects society throughout, the working classes equally with the capitalist classes. From the point of view of the industrial struggle, there seems, indeed, little point in distinguishing between capitalist and non-capitalist; for those who do not possess sufficient accumulated wealth to employ in industry or commerce are nevertheless potential capitalists actuated by the same motives and guided by the same desires and instincts as actual capitalists. A capitalist who loses his capital in the struggle and drops to the rank, perhaps, of a working-man, as well as a working-man who is successful in the struggle and passes into the ranks of the capitalist, are similar units in the great industrial army. Strife of any kind implies success and failure—that, if some succeed, others lose; the very nature of our present industrial system, therefore, makes success for all impossible.

The condition of "cheapness" to which reference has already been made in connexion with economic "demand," is, in reality, a phase of competition. To give for any commodity more than the lowest price at which it can be brought to market is to put wealth into the pockets of other people, a course that is directly opposed to the dictates of necessity, and which would, if carried out to any extent, soon disperse a man's store of wealth.

In the absence of a more rational standard of exchange value, purchasing in the cheapest market is the only practical guide for an individual's expenditure, and is particularly necessary in the case of the poor, whose position is such as to compel them to seize every possible advantage that changing industry affords. Here, then, because there is no adequate provision in our economic system for the expression of demand with due regard to the demands of others, we are forced to the opposite extreme of ignoring all but our own immediate interests, buying in the cheapest market, heedless of remoter consequences either to ourselves or others, and thus implanting in our industrial régime that ruling principle which is the negation of the spirit of amity and the essence of the spirit of enmity.

Now, if the speculative element in industry, with its concomitant competition, is the inevitable consequence of the absence of a suitable regulation of demand and supply, this truth should point very plainly to the lines on which the correct solution of the industrial problem is to be found. Industrial competition is regarded by some people as a beneficent process whose undoubted evils are more than counterbalanced by compensatory advantages: contributing to social advancement; by others, and probably the majority, it is regarded as a most vicious element, responsible for infinite mischief to society. Political and social activities directed against the evil results of competition evince the spontaneous promptings of the spirit of amity that might, presumably, under conditions permitting of its free expression, actuate industrial intercourse. This spirit is displayed alike by those who regard competition as a regrettable necessity and by those who regard it as vicious and unnecessary: the former, no doubt, are influenced in their actions by the conviction that palliation is the most that can be attained, whilst the latter would, ostensibly, eradicate the evil by such a radical alteration of the conditions as would remove the cause. In the whole arena of political and social controversy, however, there has not emerged, as yet, any coherent attempt to direct legislative activities towards the public regulation of demand and supply, the absence of which, as is here maintained, is the immediate cause of competition. In determining the treatment of a disease, physical or social, one instinctively inquires first of all for the cause, the removal of the cause being, obviously, the surest way of obviating its effects.

When we reflect that in England, during the last three hundred years, some 370 Acts of Parliament, dealing with one phase or another of the great problem of poverty, have been placed upon the statute book, and that, in spite of this and the large amount of social and industrial legislation of the last hundred years, which covers the period of the growth of democracy, the ancient evils in their modern and more acute form still mock our efforts, we ought, at any rate, to be impressed with the necessity of a perfectly open mind on these problems.

The history of legislative dealings with the social problem would lead us to believe that the quest for the cause of a social or industrial evil is highly involved; nevertheless, we have those to whom the sequence of cause and effect appear so perfectly obvious as to leave little room for argument. Thus we are told that "low wages is the cause of poverty," that "underconsumption is the cause of over-production," that "the accumulation of wealth by the few is the cause of the want of wealth to the many." Such opinions are evidently formed on a very superficial view of industrial processes, a deeper insight into which would reveal the fact that all these phenomena are effects of one cause. Yet such opinions as these naturally influence the actions of those who hold them in certain definite and, be it noted, conflicting directions of social or industrial reform: the institution of various means of raising wages, under present competitive conditions, to cure poverty; the artificial stimulus of consumption in spite of competitive forces to prevent over-production; the transference of a portion of wealth from those who have succeeded in gaining it, in the industrial struggle, to those who have failed. The alternative of effecting an equitable distribution of wealth without the struggle is, apparently, out of all reason.

There are also those who deliberately ignore the cause and deal only with its effects. Fluctuations in trade are the admitted cause of "unemployment," yet the English "National Insurance Act," in applying the principle of insurance against the risks of unemployment, assumes the continuation of unemployment and the fluctuations in trade that produce it, so tending to perpetuate the evil. This attempt to deal with unemployment on a national scale without in any way regulating trade so as to prevent or minimize its fluctuations is all the more remarkable that it contains a provision incidentally designed to make it worth while for employers to provide as regular employment as possible. In this we have a tacit recognition of the need of a regulating principle in industry.

Further reference will be made to the principle of insurance, as applied to industry, as well as to other policies of reform, with a view of showing that any and all reforms which leave the speculative element in industry and competition untouched, can make no appreciable improvement in industrial and social conditions. If this can be shown to be true, the reason of the failure of all past reform will be evident, and this fact should materially modify the political outlook. We have a section of the public, mainly of the working class, who argue that, past experience having proved the futility of all reform, it is useless to waste time and energy in political reform, and so stand aloof from party politics awaiting a mysterious self-destruction of the "capitalist system": on the other hand there are those who see in this phenomenon a confirmation of the belief that political and social reform are, after all, but poor substitutes for the reform of the man himself. Such

attitudes towards reform seem to be justified only on the assumption that the reforms actually effected were, in themselves, adequate to bring about the results anticipated from them; that each reform was, in fact, an infallible means of removing the cause of the evil in question without the creation of new evils or the transmutation of the old. The failure of past reforms to bring about a more equitable social arrangement is apparently attributed by those in the former category to some sinister design on the part of the capitalist class, rather than to any inherent defect of the reform itself, an idea which, in connexion with other fallacies, tends to foster that spirit of antagonism displayed by sections of the working class towards the class of capitalists.

While, on the one hand, a public divided into many political parties holding conflicting opinions as to practical methods of industrial reform, offers no very bright prospects of any new social order, the outlook, so far as any scientific guidance on the part of the professional economist is concerned, seems little more hopeful than when Prof. Cairnes penned his doleful presage that the possibility of improvement in the conditions of the working classes "is confined within narrow barriers which cannot be passed, and the problem of their elevation is hopeless. As a body they will not rise at all. A few more energetic or more fortunate than the rest, will from time to time escape, as they do now, from the ranks of their fellows to the higher walks of industrial life, but the great majority will remain substantially where they are. The remuneration of labour as such, skilled or unskilled, can never rise much above its present level" (Cairnes, 'Some Leading Principles of Political Economy newly expounded').

The tone of despair running through this prediction, with the hopelessness it implies for the future of so great a part of humanity, should shake to the foundations those economic beliefs and opinions that have, through the teaching of political economy, become so firmly rooted in men's minds, and dispose us to open our minds to the most unorthodox doctrines. It is, at any rate, to those who can adopt this attitude of mind that this proposal for revolutionizing our system of industry is, in the first instance, submitted.

The belief that, as there are many evils, there must be many remedies, seems to be so deeply rooted in popular thought that the idea of one radical reform revolutionizing the whole system appears to strike many people as a mere extravagance of the imagination and obviously absurd: contrariwise, the belief that the dribbling flow of reforms which merely ripple the surface of society, leaving no deep and lasting impression on its main features, is the acme of sanity. An elaborate system of the institutions known as "Labour Exchanges," which create employment for a large number of State officials with the object of bringing employers and workpeople into more

direct contact, is quite reasonable, although it does nothing whatever to reduce those fluctuations in trade which cause fluctuations in employment, and, as experience shows, makes no perceptible impression on the evil of unemployment. It would apparently be unreasonable to invest the "Labour Exchange" with further functions by which man's desire for work could not only be registered but realized immediately by the "Labour Exchange" itself setting him to work; more unreasonable still that it should become in reality a labour exchange effecting the exchange of labour of those whom it employs: and most unreasonable if its functions included the bringing into direct contact the economic forces of "demand" and "supply" and the regulation of industry. The possibility that many functions may be so grouped under one institution as to gradually minimize and eventually prevent fluctuations in trade will scarcely occur to the man convinced in the belief that there is a separate cure for each evil.

As will be seen, the definite proposal to be explained later treats each evil as inextricably involved in other relationships, requiring a remedy based upon the adequate adjustment of these relationships and the consequent organization of many interests.

It is not necessary here to dwell on the many evils that result from the competitive system of industry; these evils are as familiar as are the methods of expressing our economic "demands." It may be well, however, to emphasize the importance, from the point of view here adopted, of the fact that competition and its evils are inevitable consequences of the absence of any organization of "demand" and "supply," and that unless such a principle of organization is introduced into industry, and allowed to extend gradually, any fundamental alteration is not to be expected. It has been pointed out that the economic "demand" is nothing more than the technical term for our custom, and that so long as the public blindly insist on having just what they want, at the lowest price, without regard to the wants of one another, just so long will they be unable to enjoy the full fruits of the great advances in productive power that modern methods have made possible.

Before considering certain popular policies of reform from this particular point of view there is one result of the competitive system that requires special notice, if not presenting in a new light; the more so as the proposal hereafter set forth is largely dependent for its development upon the soundness of the view here taken.

CHAPTER III.

Parasitic Wealth.

ACTUAL industrial methods and processes seem so obviously necessary under existing conditions that the possibility of a large number of apparently indispensable trades and professions being entirely eliminated, with advantage to the community, will probably be difficult to realize by most people.

That there is a certain amount of waste as the result of our competitive system will, no doubt, be generally admitted. There is, for instance, a very general desire, restricted to no particular party, to apply legislative action for the purpose of mitigating the evils of slum conditions, and so to improve the health, habits and morality of this part of the community that the amount of disease, crime and public danger resulting therefrom may be reduced to a minimum if not entirely abolished. If this desirable end were attained, there would necessarily be a correspondingly reduced demand for the medical, police and judicial professions. The system which produces the social disease of the slum also produces its antidote in the form of organized public protection involving the employment of a not inconsiderable army of doctors, policemen, magistrates, judges, law-court officials, as well as lawyers, barristers, and their staffs. If our legislative action resulted in the abolition of slums, it follows that that portion of the labour of the medical and legal professions, called into existence by the slum conditions, could be diverted into channels of greater utility.

We must bear in mind, too, that much other labour, of an apparently useful character, is indirectly applied to the same end in the form of production of commodities and of services destined for the upkeep of the establishment of these various professions. This burden of waste, necessitated by a faulty industrial system is, thus, spread over the community, the wasteful professions and trades becoming, to the ordinary observer, indistinguishable from those of genuine utility.

Such occupations as arise from faulty organization, being of an essentially different nature to those devoted to the production of real wealth, should be regarded as falling in a separate economic category. In practice both classes are accounted producers of wealth. It is evident that the labour which is only rendered necessary by faults in the system of industry could be dispensed with under a system in which these faults could not occur; and, further, that those who are now engaged in this unproductive labour are at present living upon the labour of those producing actual wealth, the former thriving upon the latter in consequence of the disordered system.

The vastness of the extent of this parasitic form of industry is, probably, little suspected by the generality of people, and it is a department of economics in which statistical methods can offer little assistance. Certain indications from economic phenomena may, however, help us to form some general idea of its extent and of its consequent power to consume the vitals of genuine industry.

The case of the slum is an extreme instance of the generation of parasitic industry, and presents the matter from a point of view with which there will be general agreement. As we extend our investigation into the nature of industry, we shall diverge more and more in opinion as to what occupations would be necessary and what would not under an ideal régime. As another conspicuous example of a wasteful occupation, however, that will probably be generally regarded as such, we may instance our County Court system in so far as it deals with small debtors. Competitive industry is responsible for the tendency of wages to the subsistence level, and creates those irregularities and uncertainties in employment which produce the permanent conditions in which the power of the law is systematically invoked and ruthlessly applied to force "from him that hath not even that he hath." This function of the law would seem to be specially designed to permit the religion of enmity its fullest industrial expression. The individual who, whether from want of ability, the vagaries of fortune, or that oversensitiveness in business transactions which is distinctly fostered by Christian teaching, is a failure, temporary or permanent, is exposed in the County Court system to as barbarous and as senseless a process, considering the progress in civilization, as that to which the "Social Vagabonds" of mediæval times were exposed in the burnings and brandings and other forms of physical torture inflicted to compel them to do the impossible—to find employment which did not exist. It may be safely assumed that, were the industrial system so regulated as to ensure regularity of employment as well as adequate remuneration, there would be very little use for this legal form of compulsion; for, seeing that it would be a well-known fact that everyone could pay his way if he wished, there would be no real necessity for the credit that creates those numerous small debts to which these remarks mainly refer. Under proper conditions, credit of this nature need not be given and, if given at all, would become a debt of honour only. The large amount of energy devoted to this particular arm of the law, being occasioned by the faulty system, is another form of parasitic labour.

Many other forms of unproductive labour are frequently instanced as forms of wastage due to the competitive system. Such are the occupations of our soldiers and sailors. Then there are many instances of overlapping that are plainly wasteful, trade that might be as efficiently done from one centre with a much smaller number of hands and fewer appliances.

It will not, however, be quite so obvious that such a business as life-assurance is parasitic in its nature. Yet the very purpose of life-assurance is to make that provision against the financial consequences of death, early or late, which the industrial system itself cannot otherwise guarantee. A large proportion of the industrial population living, as they must, from hand to mouth would have no means of meeting the cost of burial, much less making more substantial provision, were it not that the same competitive system which makes it impossible for so large a number to gain more than a bare subsistence also provides, in the institutions of Industrial Life Assurance Companies and Friendly Societies, a class of parasitic labour whose function it is to inculcate the spirit of thrift into this class, inducing them to effect insurances on which they pay small weekly premiums out of their small weekly incomes. The idea that conditions may so change as to make it possible for even the working classes to be independent of such expedients has apparently not penetrated, as yet, very deeply into the public mind; but seeing that the principle of Life Assurance in all its various developments has come into play to meet the uncertainties and vicissitudes of industry and commerce, there can scarcely be room for question that if, by the regulation of industry, these uncertainties cease, the need of that great branch of commerce no longer exists, and the large amount of labour employed in it may be applied to the production of real wealth.

In the case of Life Assurance we have a striking illustration of the fact that parasitic wealth ranks as real wealth in all our industrial and commercial transactions. Many millions are invested in Life Assurance Companies to make that provision against the financial consequences of death which the industrial system itself cannot otherwise guarantee, much of this capital earning respectable dividends. The colossal magnitude of our Insurance Companies also indicates the possible dimensions to which the aggregate of parasitic forms of industry may have grown. As already stated statistics furnish no data, but it is probably not far from the truth to say that fully one half of the national income is derived from occupations and industry of a parasitic nature. Putting the annual national income of Great Britain in the neighbourhood of 2,000 millions of pounds, this would mean that fully 1,000 millions represent parasitic wealth. If this estimate is anywhere near the mark, the inference is that half the working population is, broadly speaking, virtually keeping the whole population at the existing standard of living and that, if the parasitic industry were eliminated, the present standard might be maintained by the whole of the working population working half-time or that the standard might be doubled by working full time. This is a rough statement—the more efficient application of machinery would make the increased advantage far greater.

Now although the extent of this parasitic industry is not susceptible of definite estimation, that it assumes some such vast proportions as is here suggested would seem to receive confirmation when viewed from a different standpoint which will also present certain other phenomena in a somewhat different light to that in which they are popularly regarded.

It is, in the first place, a sufficient explanation of the anomaly so often noticed that, despite the enormously increased productive power of the community consequent on the introduction of steam, electrical and gas power, increasingly powerful machinery, improved scientific processes and the like, the condition of so large a proportion of the people remains substantially the same or only slightly improved. These improvements in industrial methods are applied indiscriminately to the production of both real and parasitic wealth, and the one kind of wealth expands along with the other. The great advantage which should accrue to the mass of the people from the expansion of useful industry is therefore neutralized by a corresponding expansion of parasitic industry.

This view, too, surely offers a more reasonable explanation of the destination of "surplus value" than that advanced by certain socialists whose doctrine has done so much to foment and spread the spirit of the class war. According to this doctrine the capitalist, by reason of the power which ownership of the instruments of production confers on him, appropriates the difference between the price he pays for his labour as fixed by the economic forces and the full value of such labour. The light in which it has been placed for propaganda purposes, and in which it has strongly appealed to popular imagination, is that the capitalist pays only one-third of the value of the labour he employs, deliberately appropriating the other two-thirds to which he has no right and which he may be forced to disgorge. As already urged, the capitalist is bound by the economic forces blindly set in force by the masses themselves and, although some capitalists may for the time being be making enormous profits, others can scarcely keep their heads above water. Competition, operating, as it does, amongst capitalists as in other domains of industry, reduces the average profit on capital to no more than a modest return. If by any conceivable means the fabulous two-thirds value could be prevented going into the pockets of the capitalists, we should see the effect, not on the capitalist class, but in the consequent unemployment of the large mass of parasitic labour who are the ultimate recipients of the larger proportion of this two-thirds. It would be well, then, to thoroughly realize that our unregulated system of industry calls into existence an infinitely greater evil than the capitalist class.

Again the incidence of taxation wears a somewhat different aspect when viewed from our present standpoint. The popular idea is that the higher the taxes on commodities consumed by

the working classes the heavier their burden, whereas, were it not that the ordinary means of disseminating knowledge brought the facts as to taxation directly under his notice, the working man might never know what taxes, if any, were being collected from his industry. The tendency for wages to fall, by the operation of economic forces under competition, to the level of bare subsistence sets a rough limit to the possible share of wealth obtainable by labour as a whole. Some labourers get rather more than bare subsistence, others rather less; this condition holds in the main, as is too plainly shown by experience, however great the wealth production may be. Seeing then that the apportionment of wealth to the labourer is effected by the uncontrolled competitive forces, the artificial imposition or easement of burdens of taxation can only operate until competition has readjusted these advantages or disadvantages in the process of industry and, in the final result, the portion of the labourer will return to its natural level. No permanent extra burden, therefore, can be placed on the shoulders of the working class, nor can any burden be permanently taken off. The latter fact may be the better grasped, perhaps, when we reflect that the remission of taxation in Great Britain from the time this country entered on its policy of Free Trade has not had for its effect a corresponding increase of the income of the working classes, for the natural course of competitive industry takes advantage of the various reductions in the cost of living to force down wages to the new level, readjusting economic relationships everywhere to this new level. It is such phenomena as these which seem to confirm the opinion expressed by Prof. Cairnes that "the remuneration of labour as such, skilled or unskilled, can never rise much above its present level."

So, as the workman gets his quota whatever the aggregate wealth may be, taxation does not really touch him in the long run. The burden of our little South African war, costing 250 millions of pounds sterling, can therefore be borne by the national wealth without seriously disturbing the earning power of the working classes, and without any appreciable impression on the nation's wealth. That such immense sums can be raised without some corresponding effect on the labour from which it comes appears anomalous; but the explanation is, if our estimate is anywhere near the truth, that some 1,000 millions of annual wealth, representing various forms of waste, constitutes a species of unconscious burden in which the few millions a year representing the charges on war loans and other war expenses forms a very insignificant part.

Of the same nature is the incidence of the protective tariff around which the Tariff Reform agitation has been waged in Great Britain for the last ten years or more. Without going deeply into the question one or two points stand out which seem to confirm our estimate of the extent of industrial waste.

In both Free-trade and Protectionist countries, the main features of the industrial system are the same—accumulation of wealth on the one hand, poverty, unemployment, sweating, slums with their concomitant evils, physical and moral, on the other. Both present similar features as regards labour organization, agitation, strikes, and the class struggle. We can infer then that, broadly speaking, the waste of industrial energy takes place on the same scale under either system. It is claimed, very logically, by Free-traders that the imposition of a protective tariff, keeping out goods that can be made by the expenditure of less labour abroad, necessitates a greater expenditure of labour on the part of the people adopting the protective tariff. This, of course, amounts to another form of waste labour. The Tariff Reform controversy makes at least this fact quite clear that the condition of industry under one fiscal system cannot be shown to be so conspicuously superior to those existing under the other as to be beyond question. The explanation in this case, too, seems to be that the amount of parasitic wealth and general wastage under both systems being on a similarly huge scale, and the wastage occasioned by a protective tariff being only one form of many, the action of the tariff becomes so obscure amongst so many other concurrent economic forces that it is impossible to demonstrate its real effects with any accuracy. On the other hand, though by a Free-trade policy this particular form of waste is not imposed on the community, it does not follow that the national labour may not be diverted into other channels equally wasteful. Indeed it would seem that this is so from the fact that both systems are so nearly alike that years of controversy cannot demonstrate the absolute superiority of either system. If it could be satisfactorily demonstrated that the protective policy, while admittedly entailing more labour in the production of the protected commodities, resulted ultimately in restricting the wastage of labour in other directions to a much greater extent, there would be a strong argument in favour of protection, though this would have to be considered in connexion with other social and international questions.

The view here presented of the spontaneous creation and extension of parasitic wealth from the very nature of our industrial process is intended to emphasize the absolute necessity of a radical modification of the competitive process itself as distinguished from mere modifications of subsidiary processes and institutions; the improvement of these latter parts of the great industrial mechanism really amount to no more than such improvements of the parts of a machine as contribute to its efficiency, but without changing the nature of its product. It also indicates, as a consequence of this more radical modification, the possibilities, not merely of an appreciable improvement in the conditions of the working class, but a complete revolution of them, so holding out a prospect quite the reverse of the dismal forboding of an orthodox economist.

CHAPTER IV.

The Labour Movement.

THE truth as to the necessity of some radical change in the conditions which make competition inevitable should be strongly enforced by the vain efforts which the labouring classes have made to secure permanently higher wages, or an appreciably better distribution of the wealth they produce, by the method of the trade union and its later development of the labour federation. These efforts, extending over many years, have been attended, as is well known, by strikes and lockouts entailing hardships and misery to the strikers themselves, as well as to others of their class not directly affected, the expenditure of large amounts of working-class savings, and a great waste of other forms of wealth. A feature, not the least lamentable, of the labour movement is that so large an amount of human misery should be caused in acquiring by experience what might have been foreseen from a theoretical acquaintance with the working of the industrial system.

We may remind ourselves again that working men and working women do not, as consumers, insist on giving for their purchases such an amount as they know will recompense the labour of others in production either at a proper living standard or at a standard similar to their own. However willing they might be to do so, there being no organization by which the exchange values of the different grades of labour can be directly and equitably adjusted, they are forced to buy in the cheapest market, whatever the consequence may be to themselves or to their own class. In considering the action of the principle underlying the trade-union and analogous labour organizations, its full effects obviously cannot possibly be estimated unless all economic forces tending to modify that action are given their full importance in the series of reactions that produce the resultant. The modifying influences consequent on the necessity of buying in the cheapest market seem to be wholly disregarded.

Trade-unionism is fundamentally an extension of the principle of self-interest which dominates the industrial activities of the individual or economic unit; for it is essentially a method by which the several interests of those in union may be more effectively expressed and guarded. The complementary process of buying in the cheapest market is selling in the dearest; and, as the value of labour comes to be fixed by the inter-action of many economic forces acting in the open market just as the value of a commodity is fixed, the first and most obvious function of the union is to maintain and, if possible, increase the value of the labour of its members, who thus seek to sell their labour in the dearest market. In the higgling of the market, the isolated individual, of course, endeavours to sell his labour at

as high a price as possible, but he is at a great disadvantage in bargaining with an employer; combination with others of his trade tends to reduce this disadvantage by substituting collective for individual bargaining. Now this function of unionism is the only one we need consider here, because, although certain other subsidiary functions have been assumed and have, it may be granted, proved of immense advantage under actual conditions, it is its *raison d'être*. There are, however, two ways of looking at the trade-union movement which may be regarded as indicative of the two antagonistic promptings of human nature even in this sphere of human activity. The first view is, and this seems to be in keeping with its main function, that the union enables its members to compete more effectively in the industrial struggle against, not only employers, but everyone else—this amounts to an intensification of the struggle of self against everyone else. This view presents one extreme of trade-unionism, that of self-interest. The other view presents unionism as a movement that will benefit, not only the individual union and its members, but the whole working class, if the latter will organize themselves on similar lines. This we may regard as an inarticulate expression of the altruistic spirit, and it is worth noting that this view is the one which mainly influences the labour movement. The first view of unionism need not engage our attention, for it does not profess to be a method tending to humanize industrial processes, but as one tending to intensify the industrial conflict. It is with the second view that we are here wholly concerned.

If the belief that all labour can benefit by the extension of trade-union methods is fallacious, it is clearly mischievous in its effects because, though with the best intent, it prompts a policy tending to develop the very opposite spirit to that desired. The trade union acts methodically in the interests of its members, who are perforce compelled to restrict their regard for the interests of others to a pious hope that others will attain the same ends by the same means. The altruistic spirit is thus relegated to the background and the spirit of self given practical importance. The all-important consideration now is, therefore, as to the possibility of the labouring class, as a whole, benefiting from an extension of trade-unionism in spite of the intricate play of economic forces which they themselves set in motion. The main function of the union is, as already stated, to guard the wages interests of its members, and this brings the union into direct contact with the employers, who, in their turn, may form employers' unions for dealing more effectually with the labour unions. Now, the action of a labour union with respect to wages may be either to prevent a fall or effect a rise, which may be regarded as two phases of the same process. The actual conditions existing between workmen and employers in particular cases are so various as to produce many apparent exceptions to almost any economic theory; we have, therefore,

to look at the causes and effects as they operate generally throughout industry in order to arrive at right conclusions. The first question, then, that presents itself is as to the general effects of a rise in wages obtained by trade-union action. The workers themselves who receive this increase in wages are naturally enabled to increase their purchases, thus tending, by expressing new demands, to turn trade into new channels, which means possibly brisker business in the direction in which the new demands go and a falling-off in lines from which the trade has been diverted. So that a rise in wages secured by the members of a trade union must be followed, in the first place, by certain fluctuations in trade. The rise in wages, must in the long run, be placed by the employer on the consumer in the price of the product, for, as we have already seen, the employer is bound by the system to make a profit or fall out of the rank of employers: and, if his cost of production rises, so must, as a general rule, the price of the product. The raising of the price of a commodity has also an effect on its consumption, which is more or less reduced according to the nature of the commodity and the amount of the increase. Those who consume as much of this commodity at the higher price as they did at the lower, obviously have to withdraw the difference between the two prices from other channels, and those who cannot afford to purchase at all at the higher price divert the whole into other channels. Here, then, we have the cause of further fluctuations in trade. These fluctuations are responsible, on the one hand, for throwing people out of work temporarily or permanently and, coupled with competition, for reductions in wages: and, on the other, for taking up unemployed workers temporarily or permanently and for increases of wages where the extra demands warrant it. The train of economic changes set in motion, then, by so simple a cause as a rise in wages for a body of workers, creates, under the influence of competition, certain effects whose ramifications, in detail, it would be impossible to follow, but of which the general features are unmistakable.

From the point of view of the workers who have received the increase in wages, the result is naturally satisfactory, whatever the ultimate effect on other sections of the workers has been. But if we wish to estimate the true value of the change on the workers as a class, we must set off against the gains of the workers receiving the increased wages the losses of those who suffer through the change. For any particular change it is, of course, impossible; but, when a large number of such cases are taken into account and the resultant conditions present the same broad features as before the change, we have evidence that a rise in wages accruing to some is not to be regarded as a step in the process of elevating the masses to the same standard, but as an advantage to a few by countervailing disadvantages spread over the many. One section of the working class may therefore gain at the expense of other sections of their own class, just as a

capitalist or leisured class may thrive at the expense of other sections of the community; a rise in the wages of labour under present competitive conditions is not, then, an unmixed blessing.

The action of a trade union considered individually possesses, therefore, no inherent tendency to effect a more equitable distribution of wealth or any radical change in the system of industry; and if there is nothing of value, from this point of view, to be found in one trade union, it is no more than reasonable to conclude that the effect of a multiplicity of unions would still amount to nothing. If we can conceive of the whole working class organized in a great number of trade unions each intent on raising the wages of its members step by step by forcing increases from employers, who in their turn place the burden on the consumer or the working class generally, we have, in effect, the phenomenon of the working classes paying their own advances in wages. Each union obtains an advance of wages by imposing on other unions, in the increased price of the product, an indirect burden similar in extent; so that the cost of living must keep pace with and neutralize the advance in wages. It is, of course, a common observation that, though wages rise, the increased cost of living leaves the condition of the worker pretty much in the same position. This phenomenon it would be difficult to show as actually resulting from the operation of trade-union, and analogous, actions, for the reasons that trade-union action is at present comparatively restricted, and that there are so many other forces at work to obscure cause and effect; but it is, at any rate, a marked tendency in the direction to be expected from the operation of trade-unionism, the further extension and greater effectiveness of which, we may expect, would develop a still more marked tendency. As we have already suggested, the application of trade-unionism to cover the whole working population, would amount to a mere modification of the already existing process of varying nominal values; the raising of wages, so long as the prices of commodities remain stationary, would be an advantage, but the very nature of the advance in wages makes a corresponding advance in commodities inevitable, thus preventing an increase in the real value of wages. "Value is a relative term," says John Stuart Mill, "The value of a thing means the quantity of some other thing, or of things in general, which it exchanges for. The values of all things can never, therefore, rise or fall simultaneously. There is no such thing as a general rise or a general fall of values. Every rise of value supposes a fall, and every fall a rise." We thus see that trade-union action cannot permanently increase the portion of wealth allocated to labour by our competitive system.

The effective combination of all labour in unions is an impossibility; the case of an all-embracing union, such as is often imagined, could, therefore, not arise in practice. There is a strong tendency, to-day, to organize unskilled labour of all

kinds under the impression, apparently, that union is strength, and that this power can be used to defy those economic forces of which the workers themselves are the creators. A union of unskilled labour is not, of course, a "trade" union in the older sense, and this distinction is something more than a difference in name. Trades and professions, owing to the time and expense entailed in learning them, possess a kind of natural protection apart from the artificial protection of a trade union, only those who have acquired the necessary skill and knowledge can practise in them; any one physically capable can, however, take up unskilled work. Trades and professions having this natural protection are enabled to make more effective use of their trade organizations, and the advantages gained are more enduring; whatever these advantages are, however, they are not to be credited wholly to the trade union, but in great part, if not in greater part, to the natural protection which the trade enjoys, and which may be regarded as analogous, in its origin and economic character, to the more pronounced class distinctions engendered by the competitive system. While, therefore, the trade union may obtain advantages beyond those naturally arising from the normal operations of industry, there is at the same time the tendency, through slow economic adjustment, for these advantages to return to their normal proportions. In the case of the unskilled labour union, which has no natural advantages to protect it, any artificial advantages obtained soon disappear by reason of the more rapid readjustment of economic relationships that are facilitated by the absence of those impeding conditions attaching to the *trade* union. Thus a higher wage is a powerful attraction to labour, and the full advantage of this higher wage can obviously be retained for a much longer period by a union that can restrict the amount of labour entering the trade than by a union that has no such power.

The numbers involved in an unskilled labour agitation may be thought to make up for the want of the natural advantages possessed by the skilled labour. That our unskilled labour agitation often presents, by reason of its numbers, a formidable appearance must not be construed to mean that it is in any way more effective against those silent inexorable economic forces that really fetter it. It may prove a powerful opponent of the employers, and even produce, by a great strike, those very economic conditions which will make it profitable for the employer to grant the demands of the strikers; but such a gain would be secured at the expense of economic burdens, as well as of other forms of misery, imposed on other classes of the community not directly interested in the struggle, and would be lost again as industry settled down once more to normal conditions.

The federation of labour unions does not introduce any new principle. This is met by more powerful federations of employers, and industrial disputes are of more serious portent, often a

great public menace and, when accompanied by strikes, greatly intensify the bitterness created by a struggle the outcome of which can make little difference to the prevailing conditions whichever side wins. The hopes of many people seem to be centred in that development of labour combination by which several of the larger organizations of labour, vital to the continuation of industrial activity, may be federated and, by their joint action, bring industry to a stand if their demands are not granted. This peremptory method is very plausible, and would no doubt be very effective in backing a demand for something that the employers or the community (whichever is aimed at) had to give; but it is absurd, in the extreme, to suppose that any amount of force will compel any one to part with what they have not got. The fact that industry is capable of great wealth-production should not mislead us into the belief that its better distribution is only a question of willingness on the part of the capitalist or public generally, and that unwillingness may be surmounted by such displays of force either against classes or the community as a whole. The general lines of distribution are laid down by the community of which the labouring class forms the greater part, and any partial, or even complete, dislocation of industry will not alter the system itself. Even if labour "wins" every time, labour itself must, in the long run, pay for its own advantages—it takes out of one pocket what it places in the other. No force, parliamentary or otherwise, can prevent the extra cost of production caused by advances in wages or other improvements being placed on the product and diffused through the community. Railway rates which are regulated by government must eventually follow this course, for, if the cost of working continues to increase while rates remain the same, a point must be reached where the railway works at a loss, and this cannot continue indefinitely. It may be urged that the railway could be nationalized, but this would not alter the fact, for, if the cost of working exceeded the revenue, the difference would have to be made up by taxing the community.

If it were possible to organize and federate all labour so that it could speak as with one voice, any action that it might take must inevitably be followed by the same result, for the operation of the same laws and processes must have the same consequences. This extreme case, however, brings us virtually to another form of an expedient that was tried centuries ago and failed. If, by the mere dictates of a body of men, wages can be fixed at any arbitrary rate that may be deemed fair, these rates could as easily be fixed by act of Parliament. But the regulation of wages by Parliament was one of the earliest expedients adopted to deal with the evils which grew up with the evolution of modern industry. This was before industry had advanced to anything like the complicated conditions which now exist. The earlier attempts, dealing as they did

with a comparatively simple form of industry, enacted one rate of wages to operate throughout the country: later, when it was found that industrial activities defied this State-regulation, the fixing of the wages was delegated to committees of Justices for various districts, and this eventually fell into disuse as being out of harmony with the industrial process, and powerless to attain its object. The regulation of wages to-day, whether by Parliament or a single federation of labour, is an infinitely more difficult proposition. In place of one rate of wages, we have a great variety of rates, and the problem of the fixing of these rates in a manner satisfactory to all grades is not the least important. But the point to be here emphasized is that, as the economic forces are not under the control either of Parliament or of a labour federation, whatever *nominal* wages might be fixed, economic forces would dictate the *real* wages which would assume the relative proportions now so familiar.

There are suggestions in many quarters for the State-regulation of wages, in spite of past experience; and, in the establishment of Wages Boards with power to fix a minimum for certain trades, we seem to have a partial application of the old principle of sectional State-regulation. Partial applications of various principles are, of course, practicable where the complete application would be impossible, a fact which ought not to be ignored in the consideration of industrial problems. Thus certain instances of the apparently successful establishment of a minimum wage are cited as proof that complete State-regulation is possible, the inference being that if it can be done beneficially in some cases, its scope can be extended to the limits of the system; and this forms the ground for a policy of reform that appeals to vast numbers. What has been said of the economic effects of trade-union action applies also to the fixing of a legal minimum wage or other form of government-enforced improvements of labour conditions. These improvements must have their effects on other portions of industry, and, because these effects are not seen on the surface, we are liable to be deceived as to the true economic character of such reforms, and may be led to adopt a policy that has long since been proved to be unsound.

The justification for attempts to force, either by the power of an all-embracing labour union or the authority of government, a production and distribution of wealth materially different from what the people, by their individually expressed demands, determine seems to rest on a vague assumption that the very people who thus dictate, in their individual capacity as consumers, the kinds and amounts of wealth to be produced may, in their corporate capacity, over-rule their privately expressed demands, which in reality constitute the only effective motive force actuating industrial activities. The unreasonableness of this attitude may, perhaps, be more clearly seen by considering similar course in the case of one isolated individual in a position

to supply all his own wants with his own labour. Were such an individual, through ignorant blindness or sheer stupidity, to apply half his labour to the production of mere waste and the other half to the production of some of his wants in superabundance and others in great scarcity, not even he, one would imagine, would be foolish enough to attempt to correct this error by posting up in his house a formal order requiring the production of certain kinds and quantities of wealth whatever he himself produced. In this extreme case the only expedient that will avail is obviously the intelligent control of labour so as to produce what is actually wanted, and this naturally involves the adjustment of supply to demand. Society being composed of individuals, there seems no adequate reason for expecting a more rational division of wealth by any other means than deliberate reorganization of industry to the ends desired; and this assumes industrial control with the regulation of the economic forces of demand and supply. The industrial system produces what is actually demanded of it; and if, at any time, the whole working class ceased work, as is often suggested, or took any other ill-judged measure with a view of forcing, either from employers or from the community, anything different to what they had produced, the result could be nothing more than extensive dislocations of industry which would, in the long run, tend to accentuate their own miseries.

Now the views here presented of the general position of labour may be summarized in the statement that competitive industry allocates to labour a more or less definite amount of wealth, and that whatever we may do, by way of reforms that do not tend to modify the competitive principle, cannot materially alter that amount. This view bears a certain affinity with the idea underlying the wage-fund theory of the economists. This latter theory has itself undergone some changes and is not accepted with the same validity by all economists, who also vary in their estimation of the Malthusian doctrine. As a concise statement of the wage-fund theory, the following quotation from 'Marxism *versus* Socialism' by Professor Simkhovitch, of New York, will admirably serve:—

"The wage-fund argument was, roughly speaking, that the general amount of capital is determined by society's past exertions, by the accumulated savings and profits of the past. Out of this sum a certain amount is required for plant and material, the amount being determined by the technical character of industry. The free balance is the wage-fund, thus a fixed and predetermined amount. More than that amount the wage earners cannot possibly receive, less than that amount they never obtain. The rate of wages, therefore, depends upon the number of wage earners. Their number is the divisor, the wage-fund the dividend. And here comes in the Malthusian doctrine. If the number of wage earners is great, then wages are low. Low wages check the increase of population, hence

wages rise. There is, therefore, no use in blaming anybody or anything; one might as well blame the four fundamental rules of Arithmetic." ('Marxism versus Socialism,' p. 104.)

Reference will be made to the Malthusian doctrine when treating of the theory of value with the object of showing that this doctrine would lead us to attribute to the principle of population, as stated by Malthus, the evils that really spring from the principle of competition. But the outstanding truth common to the wage-fund theory and to the view here developed is that economic phenomena point unmistakably to the fact that labour cannot, under the competitive régime, materially improve its position. The extreme pessimism engendered by the wage-fund theory would seem to rest on the assumed permanency of the competitive system, an alternative to which is apparently inconceivable. On the other hand, the sole purpose here in view in thus urging the recognition of these economic truths is, if possible, to enforce the conviction that an alternative will have to be found, and must be sought, before any substantial change can be brought about.

CHAPTER V.

Masked Charity.

THE socialist is often charged, though perhaps less frequently now than formerly, with wanting to "divide up" the wealth of the country. This charge is as often repudiated; for the socialist knows quite as well as the individualist, that if any such division of wealth were to take place, the system of industry remaining the same, the present industrial conditions would speedily re-assert themselves. This may be regarded as an empirical truth accepted generally by individualists, socialists, and most other brands of social theorists; and its general acceptance would seem to offer a common basis of agreement from which to approach the consideration of the economic bearing of certain courses of reform that embody this "dividing up" principle in a more or less disguised form. The logical inference from this axiomatic truth is that what would take place in the case of the division of the whole wealth would also happen in the case of the division of half the wealth, or of a quarter, or of a tenth, or of any other fraction of it. For, if it be granted that a small fraction of the national wealth may be "divided up" without a tendency asserting itself to re-assume inequality of division, in spite of the action of the competitive system, the division of the whole wealth may actually be brought about gradually by dealing with a small fraction at a time. This, of course, leads to a *reductio ad absurdum*.

It is, in a sense, not a little remarkable that, in spite of the universally acknowledged fact that the broad principle of "dividing up" wealth is futile as a method of reform, modern reforming activities are directed very largely and on an increasing scale, in the form of State subsidized services, to the application of the very principle by instalments—and this not with the intent of mere palliation, but as permanent and far-reaching reforms. Very varied, nowadays, are the forms in which this principle is applied, and the fractions of national wealth involved represent enormous values stated in money; yet it is unmistakable that whatever real or apparent advantages are conferred upon society by such reforms the general features of the system persist, including that fringe of poverty, as formidable as ever, against which much of this species of reform is directly aimed. The evident failure of the extensively applied expedient of State subsidies should at least cause us to reflect on the apparent inconsistency of trying to effect in part what we are convinced cannot obtain, in a stable form, as regards the whole.

Another empirical truth equally well recognized is that charity is also a failure as a method of permanent reform, and investigation will reveal a close economic kinship between the

principles underlying State subsidies and what is popularly known as charity. However acceptable it may be to the recipient, charity, whether private or public, is, at least by that name, an unpopular expedient. The frequent reiteration by all sections of the working class that "it is not charity that is wanted but work" is at any rate an indication that the workers themselves are cognisant of the nugatory effect, if not absolutely harmful nature, of any form of charity. If then the principle of charity is, as it is universally admitted to be, unsound as a basis of reform, it will be readily granted that the adoption of methods of dealing with social problems that have the same economic effects as charity must be equally unsound, whether they go by the name of charity or any other. It follows also that the application of the economic principle inherent in charity, clothed in some other garb, called by another name, and made to appear as something differing essentially from charity, creates an insidious social menace whose power for evil must increase with its continually widening scope of action. The gravity of this latter consideration should prompt a sincere inquiry as to the real economic bearings of reforms of this nature.

First, as to the economic nature of charity. In the industrial struggle the chief concern of each individual is, of necessity, for himself and those dependent upon him, and the demands he makes upon industry are necessarily such as to supply the needs of himself and his dependents according to the purchasing power he possesses. This power of purchasing, being fixed by competition, is, for the larger part of the community, confined within very narrow limits, and the exercise of charity may be regarded as also proportionately restricted by the industrial system. A man, for instance, who is earning a bare subsistence has, in reality, no margin on which to exercise the charitable spirit: his demands can be no more than sufficient to provide the necessary food, clothing and shelter; and, as the giving of charity must necessarily tend to encroach on the minimum required for his own family, the choice between "self" and "others" can, humanly speaking, be decided only in favour of self, however strong may be the inclination to help others. The working classes do, of course, practise charity with as great a liberality, comparatively speaking, as other classes, but obviously the imperative calls of those dependent upon them must curb their benevolent impulse at an early stage. As we go up in the scale of wage-earning capacity, the demands on the industrial system are just as specific, though more varied, including more or less in the shape of luxuries. When we come to the salaried and profit-making classes, the demands upon industry are equally specific, involving a larger proportion of luxuries and the conversion of a considerable portion of income into capital. The margin capable of charitable application increases the higher the earning capacity, but there is exactly the same surbing influence operating throughout the well-to-do

classes as exists in the industrial classes; for the vicissitudes of industry are such that, however prosperous a man may be for the time being, the risk of a reverse in fortune is ever present and constitutes a powerful motive for accumulating wealth as a protection against possible future misfortune. The penalties, social and economic, of industrial failure are sufficient to impel the great majority of people to strain every nerve to avert failure though it mean the stifling of the spirit of amity and the subversion of a great moral principle which, they know, should prevail.

Charity may be given in goods or in money; when given in goods, there must be a further limit of an economic nature fixed as a consequence of the form that actual production has taken. If a man makes regularly such demands upon industry as will provide his family with the necessary food, clothing, shelter, and certain luxuries, just the quantities and kinds of commodities demanded are produced and supplied. In the nature of the case, the distribution of charity in goods takes the form mainly of necessities, which means an encroachment on the definite amount of necessities destined for meeting the needs of the family, and there must therefore be a natural limit to this form of charitable giving prescribed by actual production, for luxuries or other forms of wealth are not susceptible of immediate conversion to this end. No doubt the regular giving of charity by the community results in the expression of demands that really determine the production of this wealth applied to charitable purposes; nevertheless, so far as the individual is concerned, his own margin of necessities must ultimately influence the extent of his giving.

When charity is given in money, the limitation attaching to distribution in goods does not apply because the possession of money gives the holder the power to make whatever demands upon industry his inclinations suggest. Production is obviously modified by this transference of purchasing power: for the purposes to which the money would have been applied, had it remained in the possession of the giver, are not those to which it will be applied by the recipient. Thus it is clear that the distribution of charity in the form of money or purchasing power has no tendency to reduce those variations in demand, and consequent fluctuations in trade, which produce the chain of economic changes that make further applications of charity necessary.

Quite apart, from the consideration of poverty, it is obviously possible for a portion of the community, producing actual wealth to contribute to the complete support of another portion, who are thus relieved of the necessity of work. This is, of course, the principle of the "pension," whether State or private; and, although its application is susceptible of very great extension, it clearly cannot be extended so far as to take in the whole community, for then there would be no producers of the wealth to

be distributed. This self-evident fact is mentioned here to further emphasize the truth, too often ignored in the consideration of economic questions, that, though portions of the community may benefit from certain measures of reform or economic changes, it does not follow that these same benefits can, by the same means, be extended so as to take in the whole community. Great plausibility, no doubt, attaches to political propaganda which has for its aim the further extension of principles of reform that have proved of undoubted benefit to certain classes of the community; but, however necessary and humane the moderate application of certain principles of reform may be, they may, at the same time, be essentially at the expense of other portions of the community, may not result in a general and permanent mitigation of the evil aimed at, and, if pushed to extremes, may even lead, as in the case of the principle of charity, to the direct opposite of the end desired. Those measures of reform that have for their object the public administration of State subsidies, and which have been so extensively adopted by modern civilized communities, are particular instances of the embodiment of the principle here referred to.

Public undertakings, like private industries and professions, may be classed as useful or wasteful or a combination of both. Of the essentially useful services, Education is, in its nature, specially suitable for administration by public authorities; it is a universal need for meeting which a system of instruction acceptable to large classes of the community is comparatively easy to establish. Free education, in the sense that there are no school fees to be paid, may, at the expense of the general body of taxpayers, thus be made accessible to the poorest classes, who consequently become entitled to the benefit of a service for which they are not able to pay and, but for the free public service, would not receive. Whatever element of charity may be regarded as existing in a, so-called, free education system, the application of public funds to this purpose receives very general approval.

In a public Housing scheme by which funds are raised for the re-housing of the poor, we have the principle inherent in charity in a more pronounced form. Houses are not less necessary to the whole people than education; but the purpose of the housing scheme is not, like the education system, to supply the housing needs of the whole community, but to assist only a portion who are not able to provide decent homes for themselves. The dwellings provided under a housing scheme are usually let at a rental and are, therefore, not free to the occupants in the same sense that education is free. The rental charged however, may not cover the capital outlay at the current rate of interest for such risks, and, as the difference must consequently be made up from the rates, this is a payment of the nature of charity.

In the application of public monies to the relief of destitution,

we have the extreme case in which public charity is indistinguishable from private charity; and the administration of public funds for the relief of the poor in the various ways prescribed by the English Poor Law has come to be regarded as the most obnoxious of all forms of charity. That unfortunate fringe of society which is reduced to destitution and forced, by circumstances over which they have no control, to accept charitable relief, have had, under the English Poor Law System, to suffer other indignities as a consequence of their acceptance of Poor Law relief which must have greatly accentuated the economically degrading tendencies. They have not only been deliberately branded as paupers and dressed in pauper uniform, but have also been deprived of certain rights of citizenship. The sense of this inordinate degree of injustice—the taking from the poor what little they possess—has no doubt, strongly influenced the reactionary tendency, now so strongly marked, to remove all degrading taint connected with the public administration of charity. This tendency finds expression in various ways. Thus in the reports of the Royal Commission on the English Poor Laws, we find various suggestions for giving new names to pauper-tainted methods and institutions; the term "public assistance" is suggested as a designation for what has been so long known as "poor relief"; bodies carrying out the function of the Poor Law Authorities may obscure their repulsive natures under the name of Public Assistance Authorities; "home aliment" may invest "out-relief" with a less repulsive, if not absolutely attractive garb. A further, and important, step in this direction would be made by the distribution of the various functions of the Poor Law amongst the municipal, county or other public authorities exercising similar functions, a course which we also find suggested in the same reports though not, of course, solely for this purpose. This policy, in so far as it seeks to divest charity of its stigma, assumes the possibility of assimilating two essentially different economic principles and of raising in the public estimation the principle of charity by simple association with that of mutual exchange. It would appear to be dictated largely by sentiment; and, as economic laws know no sentiment, charity must always present the same general features under whatever guise it exists, inevitably creating a well marked division between the two classes of economic processes. The thing itself will always be recognized despite every artifice to conceal its real nature.

In the British "National Insurance Act" this tendency is found greatly developed in its most insidious forms. Had there been submitted to the country, instead of this Act, a proposal for the payment of weekly allowances to members of the public, when sick, and to workers, when unemployed, from public funds raised by the ordinary methods of taxation, the probability is that its authors would have been suspected of being mentally deficient, for this would have been undiluted

State charity on a scale never before imagined. One can scarcely conceive it possible that any responsible statesman of to-day could bring forward a scheme even of much more modest proportions based on such a principle. Now if the economic effects of the Insurance Act are substantially the same as those that would result from the avowedly charitable method of distributing this public sick relief or benefit, it is an obvious inference that the people have been induced to sanction the adoption of this expedient under the conviction that the particular methods of raising the funds deprived it of all vestige of charity, and placed it in the category of ordinary industry and commerce. The all-important consideration, therefore, is to determine the true economic nature of the process of raising the funds; whether in fact, there is any real difference in practical results between the processes of taxation ordinarily employed for raising public funds and the ingenious devices for assimilating the forms of genuine commerce which seem to give to the Insurance Act a totally distinct character.

The Insurance Scheme is framed on the contributory principle and designed so that "all classes should contribute to it as all the classes would benefit by it" (Lloyd George). The benefits under the scheme are estimated to be worth 9*d.* per week to the workman, of which, however, he himself only contributes 4*d.* per week direct, 3*d.* being collected from the employer, and 2*d.* paid by the State from ordinary sources of taxation. This last contribution takes the very form that would presumably be unhesitatingly rejected, if applied to the whole, as being essentially State charity. The 3*d.* paid by the employer is admittedly a charge upon industry which must be included in the cost of production and which is, therefore, diffused through the community in the price of the produce of the industry, for, as we cannot too forcibly emphasize, all industry must be run at a profit. The employer by the device of the Insurance Act thus becomes the collector not only of his own 3*d.* from industry, but of the 4*d.* from his workman, and whatever extra expense is incurred in this cumbersome process likewise becomes a charge upon industry and enters into the cost of production and ultimately into the price of the product. The public, therefore, have to shoulder both the tax of 3*d.* on industry and the cost of its collection, just as surely as though these charges had been levied as an indirect tax on articles of general consumption. Although, therefore, the employer's contribution is collected through a different channel from that of the State, its economic effect is the same, and it does not retain the nature of a personal contribution by the employer upon whom it is directly imposed but of the nature of an ordinary indirect tax.

With regard to the workman's own contribution, the fact that this 4*d.* is stopped from his wages each week by the employer would seem to leave no room for doubt that here, at any

rate, the apparent payer must also be the actual payer. A feature of this Scheme which tends greatly to strengthen this opinion is that it takes within its scope a very large amount of Health Insurance business actually conducted on a voluntary basis and converts the many thousands of premiums, or to the extent of 4*d.* of them, into a statutory payment without materially interfering with the routine of the voluntary organization further than enforcing the collection of the premium through the employer. The question as to whether the workman's 4*d.* is to be regarded as his personal contribution or as a tax should be decided by reference to its economic effects. In the first place, the introduction of the element of compulsion, in effect, takes the 4*d.* out of the individual workman's control, so that he cannot now do as he likes with it, either to continue the insurance or divert the premium into channels which he might consider to promise greater advantages; this, at any rate, impresses upon the statutory payment a characteristic peculiar to a tax. There is thus the tendency for the workman to regard the 4*d.* as something that does not belong to him and that he does not receive, reckoning his wages at the amount he receives after the deduction of the 4*d.*, for this is really what governs his expenditure.

In considering more minutely the economics of the 4*d.* and its affinity to a tax, the immediate effect of so small a sum when taken alone will naturally be scarcely perceptible, and may be more appropriately expressed as a tendency. However insignificant a single premium may appear the aggregate of the national premiums amounts to a formidable sum, and must have a correspondingly important economic effect represented by the aggregate of the tendencies of the single premiums. It would be well to bear in mind that the immediate effect of the imposition or remission of a tax usually differs from the later effect when it has become adjusted to its new economic environment, and all industrial operations are conducted with due allowance for the tax. A new tax upon land or upon an industry will naturally be resented by the landlord or the manufacturer affected, because he is unable to fully recoup himself immediately owing to current prices, leases, contracts, &c., which hold him to conditions prevailing before the imposition of the tax; the remission of a tax upon land or upon an industry would, on the other hand, be welcomed by a landlord or manufacturer because the remission is a temporary gain of which he cannot be deprived owing to current prices, leases, contracts, &c., that hold his clients or customers to conditions existing before the remission. In both cases, when the tax has become thoroughly assimilated by industry and commerce, the burden or the relief is not felt by those first affected, for both alike are passed on to the public and become diffused through the community. The opposition or support which a new proposal for taxation receives may be explained by its initial effects

on the individual interests involved. The compulsory contribution levied by the Insurance Act called forth during its progress before its final enactment just the public reception that a tax would receive, and we are now experiencing the adaptation of these contributions to industrial processes upon which they make little impression. The very fact that certain wealthy classes oppose such measures as these when first brought forward seem to be a convincing argument to many people that the measure must have the effect of taking from those who have, and giving to those who have not; this is fallacious.

Perhaps the most effectual way of demonstrating the true nature of the Insurance Act contributions is to conceive the gradual extension of State subsidized industry and services, on the same principle, to take within its scope a very large part of public necessities with a consequent corresponding increase of the premium. Thus Education, like Health, may be regarded as benefiting both employer and worker as well as the State, and, for exactly the same reasons, might be publicly administered on the same so-called contributory system. We might thus increase the workman's "fourpence" by additions for education, sanitation, national defence, bread, coal, housing and other necessities of equal benefit to all classes of the community. The limit to this process, presuming that each contribution is an actual contribution from the worker's wage leaving so much less free spending power, would, in theory, be the lowest wage paid; for anything beyond this the lowest class have no margin, and no form of State-compulsion can extract from an individual what he does not possess. If this limit were attainable, we should plainly reach a condition in which the distribution of the necessities of the lower strata of society would come under State control, resulting in government payment in services and commodities instead of in the money wages nominally earned and fixed, not by government on any just basis, but by the general economic laws. Such a state under the competitive system of industry, allowing no scope for individual expression of demand, would reduce the economic position of the lower classes of workers to a depth of servility and ignominy scarcely imaginable; the state of this portion of the community would, in fact, approach very closely the condition of the horse, or other domesticated beast, which has to be supplied with all its necessities by its owner.

Now the probability is that the advocates of the State Health Insurance Scheme have never imagined the possibility of anything like the logical consequences, here indicated, of the institution of a policy of forced contributions, assuming, as they do, that these are real deductions from wages. As in many other cases, by some subtle reasoning process, the two opposites are harmonized; thus while it would be absurd to argue that the continual application of the principle of forced contributions would tend to reduce the worker's wage to the

point of extinction, yet that in the particular case of the Health Insurance premiums it actually has this tendency.

Looking at the workman's Health Insurance premium from this point of view, there seems little reason to doubt that it is of the nature of a tax and not a personal contribution as popularly supposed—the longer this delusion obtains, the deeper we are likely to get into the economic quagmire.

It may be urged that, though the policy of State subsidies here considered has no tendency to permanently equalize wealth distribution, yet it confers great benefits on large classes of the community. This, of course, is quite true, and in this respect also, it resembles pure charity; for money or substance given in charity to those in need is, to them, a tangible benefit however much they may dislike the method. To properly estimate the value of the free transference of wealth, whatever we call it and by whatever method it is accomplished, we must take into account the whole of its effects, not overlooking, in this particular case, the important fact that in addition to leaving conditions of distribution, in the main, unaltered, State control fosters a pernicious social tendency to intensify the economic subjection of the masses.

The system of National Health Insurance, which comes within the category of parasitic industries, is a conspicuous example of the extension of this form of waste on a grand scale with State sanction.

It is no part of our object to disparage any form of "dividing up" whether in the form of open charity or under the guise of industry and commerce while nothing better is available. It has been our main object to urge the recognition of a fundamental economic relationship between charity and certain methods of administration of public funds, and to emphasize the fact that reforms, designed not as temporary palliatives but as permanent social modifications, are based on the very economic principle, but in a disguised form, which all parties recognize as unsound, and that the persistence in such policies of reform must tend to prolong indefinitely the evil which we all profess to be anxious to eradicate.

CHAPTER VI.

Evolutionary Theory and Social Progress.

BRITAIN on the wane! This is a foreboding, not infrequently expressed, that implies a more or less vague belief in the naturalness, as a sociological process, of the rise of nations to wealth and opulence and their subsequent decline and decay. A close kinship exists between this belief and that idea, of ancient origin, which conceives a nation, like a man, passing through the stages of growth, maturity, and decay. The influence of such ideas on modern sociological thought, evinces the persistency with which ideas of this nature retain their hold on the popular mind.

That there exist certain broad analogies between the physical and the social development of man which impart to such beliefs great plausibility is unquestionable; but their persistency is probably mainly attributable to the conviction, inherent in human nature, that the same superhuman power which directs physical processes also shapes the course of social development and, apparently, with the same mysterious design, so that their common source suggests similar lines of development, and physical phenomena suggest analogous social action.

This view, pushed to extreme, would eliminate man's intellect as a factor in shaping his own social destiny, and would thus place him on a level with the brute and inanimate creation. However this persistency is to be accounted for, it seems a remarkable phenomenon in view of the fact that along with these analogies there also exist such obvious dissimilarities as to demonstrate the fundamentally different nature of the two processes. Thus, in comparing the decline and dissolution, or "death," of a nation with the decay and death of a man, we find a conspicuous want of analogy. The nation may, indeed, be said to live and grow because of the continuous multiplication, growth and death of the human beings that compose it. If the "death," or dissolution, of a nation is brought about by conquest, the parts of this nation, unlike the case of man, might continue to live and even attain sufficient vitality to dominate eventually the nation by which it is absorbed.

National institutions must necessarily reflect from time to time the social ideas of the citizens. A nation, therefore, at the zenith of its power, whose citizens are obsessed with the idea that the next stage of their national development is one of decline, can scarcely be expected to do other than fall into decay. This reflection suggests the extreme danger of such pernicious fallacies when they have taken possession of the popular mind; and it is, therefore, of vital importance to true social advancement and ultimate human happiness that social and economic fallacies, whether based upon plausible, but false or strained, analogies or not, should be thoroughly exposed.

Now the species of idea here particularly referred to marks the early stage of a line of thought which has greatly developed with the spread of knowledge. The extended parallelisms, revealed as a consequence of the great advances made in biological science, and the closer study of modern social and industrial developments, is naturally followed by the further extension of this line of thought. Analogically, political or industrial organizations may be referred to as "organisms," and the analogies between physical organisms and social organizations may be carried to great and fascinating lengths. The interaction of the parts of a political or industrial "body" bear striking resemblances to the complicated actions of the parts of an animal or vegetable organism; and the transference of the idea of the division of labour from the economic to the physiological sphere indicates something of the length to which the tendency to the division of labour in industry has produced those complicated and interdependent economic relationships which develop features increasingly comparable to the actions of animal or vegetable organisms. On the economic field the tendency to the subdivision and specialization of labour produces for each new development in this direction a corresponding adaptation in the system of exchange by which the labour of a small section of the community, applied to the production of an infinitesimal fraction of the aggregate needs, secures, in exchange, the services of other parts of the industrial organization. This has its counterpart in the exchange of services taking place within the physical organism; the various organs of the human organism perform this special function for the benefit of the whole body, and each receives, as a member of that body, the benefits of all the other organs through the intermediary of the complicated system which makes these exchanges possible and allows for the adaptation of variations in structure. To whatever length we may trace these analogies, however, there is, in the end, the indisputable fact that the two processes are fundamentally different and similarity of phenomena cannot, therefore, be attributed to the action of a motive force common to both. The essential difference between the two processes is obvious from the fact that the physiological is concerned with matter and its changes in accordance with physical laws, while the sociological is concerned with social and economic relationships and their modifications resulting from the action of the human intellect.

It is, however, the Darwinian theory of evolution that has most powerfully influenced the further development of this line of thought. The evolutionary idea has now so permeated public thought that it has become an attitude of mind for large numbers of people. Doubtless, the theory itself is not fully grasped by more than a comparatively small proportion, and it is, consequently, cited to sanction quite opposite lines of social progress. Thus we have, on the one hand, those who

believe that the Darwinian theory teaches us that the struggle for existence and the survival of the fittest is the natural method of social advancement, the evils resulting from it being regrettable necessities which may be ameliorated but cannot be cured. On the other hand, there are those that look upon evolution as a force that is shaping the course of social progress, not only regardless of human volition but in spite of it. Of the latter class are certain Socialists who believe that their ideal is coming, or "evolving," with something like scientific precision whether it is wanted or not, and that, were they to do nothing politically to bring it about, it would still gradually evolve through the operation of this mysterious evolutionary force, the little social work they do simply tending to accelerate the natural process.

The use of analogy to more clearly explain one's views serves a legitimate and important purpose; but the straining of analogies, with an intent to establish by inference the existence of some more vital connexion between the objects of comparison, is to confuse and mystify. In order, if possible, to exhibit the illusory nature of certain popular policies of social and economic development, and, at the same time, to indicate the conditions which seem to be implied by the theory of evolution as affecting human society, certain analogies between physical and social processes will now be briefly considered. But before doing so it may be well to restate in a concise form, the main idea of evolution. The Darwinian theory is briefly stated by Ernst Haeckel, as follows:—

"The struggle for existence produces new species without premeditated design in the life of Nature, in the same way that the will of man consciously selects new races in artificial conditions. The gardener or the farmer selects new forms as he wills for his own profit, by ingeniously using the agency of heredity and adaptation for the modification of structures; so, in the natural state, the struggle for life is always unconsciously modifying the various species of living things. This struggle for life, or competition of organisms in securing the means of subsistence, acts without any conscious design, but it is none the less effective in modifying structures. As heredity and adaptation enter into the closest reciprocal action under its influence, new structures or alterations of structures are produced; and these are purposive in the sense that they serve the organism when formed, but they were produced without any preconceived aim." ('The Evolution of Man,' ch. v.)

The first observation to be made here is that the process of evolution, in the animal and vegetable kingdoms, is an unconscious one. Plants, obviously, have not the power to reason; and animals, exclusive of man, though gifted with remarkable instinct, do not possess a reasoning faculty that will enable them to investigate either their own physical growth or their own relationships with one another. The sensations of pleasure and pain, the possession of which is one of the distinguishing features of animal life, no doubt play an important part in animal growth, whether physical or social, human or brute; being factors

which determine the particular direction of the individual's activities, they may be regarded as the mainspring of that animal effort for self preservation which culminates in the struggle for existence. This effort is exerted in brute creation for the purpose of satisfying desires regardless of the interests of other animals, and while the environment, for the time being, sets a rough limit to this effort, the continual struggle produces variations which tend, in the long run, to modify both the animal and its environment. Obviously, however, the force which produces these changes in animal structure and environment is not exerted with this purpose in view, but in order to satisfy individual desires; the changes themselves, therefore, are accidental and, regarded in the aggregate, present phenomena susceptible of systematic treatment. The accidental nature of the developments in plant life is even more evident when we reflect that the sensations of pleasure and pain are entirely wanting and that, therefore, life and death are matters which do not in the least concern plants. The struggle for existence, as applied to plant life, can therefore have no more than a metaphorical significance.

By analogy, the process of social evolution must also be an unconscious one. The present order of society has, in fact, evolved without any conscious effort or premeditated design to establish it. The human social unit is, of course, conscious of the restraints imposed upon his aspirations by his environment, and is conscious of the efforts he makes to alter his environment; but these efforts are made, whether individually or in co-operation with others, for the purpose of gratifying his personal desires and not with the intent of bringing into existence a preconceived social order. The various social developments are, therefore, as truly the accidental consequence of man's individual effort to better his own condition as are the physical developments in the animal. It is quite evident that existing social conditions, affected as they have been in their growth by comparatively recent and unforeseen developments in nearly all departments of science, industry, and commerce, could not possibly have been conceived a few generations ago. It is the incessant striving, on the part of the individual, for the attainment of improvements in his own social conditions that is to be regarded as the constant force whose continuous effects, in the aggregate, produce those changes in social structure which exhibit the phenomena of social evolution. It will be evident, therefore, that, though effort is consciously exerted by the individual in his own interest, the evolution of society which results is essentially accidental and is an altogether unconscious process.

If society at large were to adopt the view, entertained by so many, of evolution as a superhuman force working out our social destiny for us in some mysterious manner regardless of our own effort and even in spite of it, there would naturally

be a general disposition to a passive attitude and a consequent cessation in social effort. There could then be no further evolution.

On the other hand, if society as a whole were to adopt the view that the struggle for existence is as essential to social development as it is, in evolutionary theory, to physical development, we should have an attitude of mind which, being impervious to ideas involving the permanent removal of the inevitable consequences of that struggle, would tend to a perpetuation of present conditions.

The eventualities just suggested are, of course, practically impossible, for, as it has so far been our aim to emphasize, the actual conditions of society compel people to act in self-interest, not only in opposition to any social or moral theory they may hold, but actually against their own inclinations. All unsound social theories must, therefore, sooner or later, be shattered by contact with the hard practicalities of life. Nevertheless, the greater the influence these social or economic fallacies do acquire, the greater will be the obstacles to true social progress and the remoter the time of social harmony.

Again, there are certain apparently well-marked tendencies in economic and social developments which are regarded by many people as plain indications of the natural course of social progress. A natural affinity appears to exist between these tendencies and the process of evolution as popularly conceived, thus imparting to such tendencies undue importance as courses obviously in the line of social evolution. A conspicuous instance of these tendencies is the process of municipalization and nationalization of land and industry which has been, and still is, regarded by large numbers of Socialists as the natural and inevitable evolution of Socialism by the gradual transformation of privately owned to publicly owned means of production, distribution and exchange. The tendency to extend the application of the principle of insurance to wider and wider spheres of social amelioration is another case in point, though, in the latter case, the idea of evolution is, perhaps, not so intimately associated with the tendency as in the former. It is here our object to show that, however closely or remotely the two ideas may be connected in the public mind, the practice of regarding a marked tendency as a more or less reliable guide for further development is altogether at variance with evolutionary theory.

A simple illustration from vegetable life will serve to elucidate this fact. The evolution of the ear of wheat from the grain of seed is an unconscious process. Were the plant conscious of its growth and, taking a retrospective view of its upward progress, reasoned that the well-marked tendency to grow a long straight stalk plainly indicated the direction of its further growth and directed its developments accordingly, it would never reach the ear.

An illustration from the process of the evolution of higher from lower animal life, besides further illustrating this view, will also serve to enforce another important truth in physical evolution which has its analogy in social evolution. There is, so authorities inform us, in the caudal region of the vertebral column of man, still the vestige of a tail which, the evolutionary theory teaches us, was once a useful appendage of our remote ancestors, and which has disappeared in course of time because, in the development of man's erect position, it became gradually useless. If our tailed ancestor had been conscious of his own evolution and had reasoned that, because the tail was an actual development and served a necessary purpose, its functions must not be allowed to fall into disuse but must be exercised to the full with a tendency to widen their scope, the human race might to-day have sported a tail that would have put every other tailed animal out of countenance.

The disappearance of a useful limb of any animal can scarcely be imagined as resulting from the deliberate intention of the animal itself, for every limb is, of course, a present necessity and the idea of dispensing with any one would appear the height of absurdity. Nevertheless, modifications do take place in animal structure even to the disappearance, as we have seen, of a useful member of the body. Whatever modification does take place, however, proceeds unconsciously as the result of the adaptation of the various members to altered conditions. It will be evident that if our tailed ancestor had deliberately exercised his tail, with a view of retaining and developing its functions—whether from the notion that its growth indicated the trend of future development, or because it was a useful appendage that must be duly exercised—he would, in either case, have been counteracting the true evolutionary development.

Many present-day social institutions appear to be as necessary to society as limbs are to our body. It would be difficult to conceive a state of society without some of them. Nevertheless, if we deliberately set ourselves to render them more permanent institutions or further develop them on the assumption that we are furthering the natural course of social evolution by thus developing existing tendencies, it is more likely than not that we shall be retarding the true evolution rather than forwarding it. Our Banking system, Municipalized Industries, Industrial Corporations, Insurance, Educational, and the many other Institutions are apparently indispensable to our modern civilization, and, if they are to undergo appreciable modification or elimination, it can only be by the gradual development of other institutions which re-distribute their functions or render them unnecessary; and if a false theory of evolution tends to confine further developments to mere extensions of, and improvements in, existing institutions, excluding all possibility of the introduction of new principles and institutions which

modify or render superfluous present institutions, it is seriously interfering with the true course of progress.

It will be evident, too, that all social effort, whether avowedly Socialist or not, which seeks to bring into existence an order of society planned, either in outline or in detail, beforehand is altogether at variance with the evolutionary process observed in the physical world. The Socialist ideal, as embodied in the common formula of "State ownership of the means of production, distribution and exchange" implies a conscious effort to develop a preconceived social system of which the main design must necessarily reflect present-day institutions and customs because the social and industrial relationships, that are to be, are still shrouded in the obscurity of the future; and we thus constantly hear the ideal Socialist State of the future described in terms of the present. It may safely be said that no human intellect a century ago could possibly have anticipated the many revolutionary developments which have, in all avenues of social progress, transformed the material of which the social structure was then composed; reflection upon this fact, that the future of society is a sealed book, bearing, as it does, so striking an analogy with the unconscious process of physical development should, one would think, furnish conclusive evidence that social effort to secure the establishment of premeditated social régimes is so much waste energy, and is no more reasonable than would be the designing by an architect of an edifice in ignorance of the material of which it was to be built.

It is, of course, frequently said that we *must* have ideals, and that the agitation for these ideals have a beneficial effect even though the ideals themselves are not attainable. This, however, is only true of purely ethical ideals, and it is obviously the constant effort to put our ethical principles into practice by continual modification and adaptation of social and industrial organization that constitutes the motive which actuates the evolutionary process. Ideals of social systems which involve the estimation of the comparative importance of present ethical ideals to which these systems seek to give concrete and stereotyped expression, are, therefore, unscientific from the point of view of evolutionary theory; for our ideas of right and wrong, equity and justice, undergo modification from time to time as well as social relationships founded upon them. The institution of slavery was at one time regarded as a permanent feature in society and accorded with the then existing ethical principles. Ethical ideals have so changed that modern civilization rejects slavery; and a Utopia, in which slavery is an essential feature, would scarcely be worth consideration to-day even by those who believe in the efficacy of Utopia-building. As on the economic field, so on the field of ethics must the expression of the individual have, in the long run, free play; and any attempt, therefore, to impose on the community a set of morals, or a social system, out of harmony

with the aggregate of individual ethical or economic aspirations is doomed to failure. The concentration of public opinion and political effort on ideals inherently impracticable not only represents much waste energy, but exerts an appreciable retarding influence on true social progress.

The nature of social evolution is tersely summarized in the following quotations from Lord Morley's work 'On Compromise':—

"It would be odd if the theory which makes progress dependent on modification forbade us to attempt to modify. When it is said that the various successive changes in thought and institutions present and consummate themselves spontaneously, no one means by spontaneity that they come to pass independently of human effort and volition. Progress is not automatic in the sense that if we were all cast into a deep slumber for the space of a generation we should awake and find ourselves in a greatly improved social state. The world only grows better, even in the moderate degree in which it does grow better, because people wish that it should, and take the right steps to make it better. Evolution is not a force, but a process: not a cause, but a law. It explains the source, and marks the immovable limitations, of social energy. But social energy itself can never be superseded either by evolution or anything else."

The process of physical evolution goes on everywhere regardless of any theory that man may base on observed phenomena; and the same may be said as truly of social and industrial evolution for, ultimately, theories of social evolution become quite insignificant modifying influences on the general trend. It would obviously be better to discard all theories of evolution rather than allow false theories to pervert social energy.

If, however, the evolutionary theory is to be any practical guide in social matters, perhaps the following brief statement will serve to indicate broadly the true relationship involved:—

"The analogy existing from the point of view of evolution between biology and sociology arises from the fact that the evolution of societies as well as that of organisms is the result of the co-operation of two factors—similarity and adaptation. In biology, the similarity between organisms springing from the same stock is due to heredity, while adaptation is the result of individual variation. In sociology, societies are the descendants of former societies, in that the new are modelled upon the old. Similarity is the result of imitation, while adaptation is the result of invention, i.e., of improvement and innovation tending to make a new Society different from that which preceded it." ('Evolution by Atrophy,' Demoor, Massart, and Emile Vandervelde).

Our present social order is thus inherited from our ancestors, and its further transformation is to be effected by the introduction of such improvements or innovations as are adaptable to present conditions and tend to make a "new society different from that which preceded it." These two conditions—innovation and adaptation—are thus essential to a step in social

evolution. An innovatory change that is not adaptable to actual social conditions is, of course, infeasible; a change that is adaptable but is not innovatory in character cannot tend to make a society different to that which preceded it.

It follows from this that an innovatory proposal—one on unorthodox lines—should commend itself to public attention because it contains the chief essential of a true progressive step. Curiously enough, however, such a proposal is usually received with suspicion, raises prejudice and perhaps provokes ridicule; yet, if such an innovation is susceptible of adaptation and would effect a tangible improvement in society, its practical value would soon assert itself and, as by this it must be eventually judged, it is evident that though, in its initial stages, regarded as a mere curiosity, it must ultimately become an indispensable social necessity.

CHAPTER VII.

Economics of Collectivist Industrial Tendencies.

REFERENCE has already been made to the fact that certain pronounced industrial tendencies towards public control lend themselves peculiarly to the idea of evolution in the sense that they bear the aspect of a quite natural process of transition from private, or individualist, ownership to collective ownership of industry and, therefore, to that ideal industrial condition associated, as a main feature, with the popular conception of socialism.

The apparent simplicity of this assumed transitional process invests this particular socialist doctrine with great plausibility, to which is to be attributed no small share of the success achieved by socialist propaganda. The numerous activities of Municipal, and other public, bodies have been held up to popular view as practical examples of the ownership and management of industries and public services by the people themselves. The extension of this process to take in all industry, so bringing the whole industrial system under the control of the people, to be organized in their own interest instead of in the interest of a capitalist class, is an ideal which appears superficially, not only moderate, intelligible and feasible, but in actual course of development. This tendency is regarded by many socialists as a certain indication of the true course of transition from individualism to socialism. It also appeals to many others who do not claim to be socialists, and quite apart from the collectivist idea, as a reasonably clear indication of the course of future social development, and influences political action accordingly. This collectivist tendency comes, therefore, to be vaguely associated in the popular mind with social evolution.

The evolutionary theory does not, we may again affirm, countenance such an attitude towards social tendencies in any direction, because the evolutionary process is an unconscious one, and it follows, by analogy, that the delusive expenditure of the mental and physical energy of the human race on social developments dictated by mere tendencies, instead of to the quest and adaptation of innovations and improvements irrespective of existing tendencies or future ideals, is a diversion from the true path of progress which amounts to a postponement of those fundamental changes that really produce a society different from that which has gone before.

In view of the protracted human suffering that must continue to attend economic changes which do not appreciably modify the industrial system itself, the necessity of distinguishing between the true and the apparent issue of these tendencies is one that should deeply concern all engaged in the work of social and industrial reform. To this end the following brief

observations on the economic phase of these collectivist tendencies are made as suggestive of the line of reasoning prompted by the particular view of the industrial system here developed. Blind expression of demand and the consequent unregulated action of economic forces, producing the speculative element in industry with its concomitant industrial competition, has formed, and still forms, the character of the social environment in which these tendencies have germinated and grown. The modifications initiating the processes, by which public control has come to be so intimately associated with present-day social institutions, were not introduced with the definite purpose of regulating economic forces or radically changing the competitive system, but because greater efficiency in certain industries that had ther developed was obtainable from the competitive system itself by the method of public control. These modifications were, therefore, mere adaptations of the varying institutions and industries, inevitably arising from the progressive force in human nature, to the competitive principle in industry.

It may be granted at once that the actual management of a municipal, or other publicly owned, enterprise may be as efficient as a similar enterprise under private ownership; either undertaking may, in fact, be well managed or mismanaged according to the capabilities of those entrusted with these functions. The transference of, say, a Gas Works from a private company to a Municipality does not eliminate the profit-making element for, although somewhat less uncertainty may surround the operations of the municipalized industry than normally exists in the conduct of businesses generally, the public whom it supplies and from whom it obtains its labour and material is wholly subject to competitive influences affecting, in some degree, every transaction of the public undertaking. While, therefore, public considerations may largely influence the management, the prevailing industrial uncertainties prescribe, in the main, the conditions under which the business is run; the income of the municipal gas undertaking must be made to exceed the expenditure, or show a profit, just as in private industry; and the realization of these municipal profits is often regarded, even by socialists whose ideal is of a non-profit-making system of industry, as demonstrating the success of municipal enterprise, thus estimating success by the standard applicable to competitive industry.

Under good management, too, a municipalized industry can be made to supply a better article at a lower price than was formerly the case under private enterprise. This fact is one which, to many socialists, opens up a vista of collectivist wealth distribution that is exceedingly fascinating in its apparent simplicity. If a better quality of gas at a lower rate per thousand can be supplied by the process of municipalization, the extension of this process, it is argued, to embrace more and more of the necessities and conveniences of life, will prove of incalculable

benefit to the public, and especially to the working class. The reduction in the cost of food, clothing and other commodities supplied by the municipality, would apparently be equivalent to an increase of wages to a similar extent, and, therefore, of a more equitable distribution of wealth. The oversight in this case is that along with this process of lowering the cost of living there still operates that competitive principle in general industry which tends to drive down wages to the reduced cost of living; any benefits secured are thus neutralized as fast as they are obtained, by the incessant action of economic forces producing readjustments consequent on the new economic variations. There is, of course, nothing mysterious in this process, and the same view may be expressed by saying that the cheapening of food, and other necessities, releases money hitherto spent in such commodities for expenditure in other directions, the effect of which is, in the aggregate, to cause far-reaching fluctuations in trade and in labour that can only be adjusted by the competitive method upon which the whole industrial system is unconsciously reared.

This tendency, where it exists, of municipalized industry to result in greater efficiency is analogous, in its general effects, to the efficiency arising from the substitution of a policy of free trade for that of protection, or from the introduction of labour-saving machinery, which both tend to expand industry without affecting the competitive principle on which the products of industry are distributed, leaving, as we too well know, the extremes of wealth and poverty an even greater contrast.

The remission of import duties resulting in a lowering of prices is not a permanent reduction in the cost of living as compared with earning power, for adjustments are ever in process altering the ratios, so that wages always tend to a normal minimum. Then the cheapened production, although it undoubtedly benefits the community, does so only in the proportion that the competitive system will permit, and there is no direct connexion between the labour-saving efficiency of the machine and a general reduction in labour effort that ought logically to follow its adoption; but on the other hand, and in spite of all this extra efficiency, there is a persistent tendency for wages to oscillate about the level of subsistence. The parasitic industries, trades and professions, naturally consume a very large portion of all extra efficiency, and, as the process of municipalization does not introduce any device for a modification of the competitive principle or the control of economic forces, a radical change in the general features of the industrial system is, on the face of it, not to be expected from the particular species of collectivism here in review.

A feature, in connexion with this process of municipalization, which probably appears to many socialists and others as an actual modification of the competitive principle, is that public authorities not only have the power but, in many cases, also

the will to increase the wages, shorten the hours, and generally improve the conditions of their employees. There seem to be two motives prompting this course. In the first place it is argued that public authorities may, in this way, set an example to private employers. The idea that municipalities may become model employers whose lead, in these matters, will be followed (perhaps with the spur of public opinion) by private employers seems to rest on the assumption that the dictates of the public conscience are more powerful than the dictates of the economic forces springing from the same source and by which employers are bound. This fallacy is another indication of that unreasonable attitude towards economic questions which implies that the economic demands of the public, and the products of industry resulting therefrom, may be varied by some form of public edict apart from the organization of industry. Were it possible for private employers generally to conduct their businesses successfully by adopting such model conditions, they could as easily adopt any standard of working conditions that might be prescribed by Act of Parliament, and the solution of the industrial problem would be very simple.

In the second place this well-marked tendency to improve the conditions of public employees is, no doubt, in the socialist mind the obvious consequence of public ownership, for when the State (which is the people) owns the means of production it must also fix the remuneration and working condition of the people; thus the process of municipalization appears to be gradually transforming the competitive system with its ill-paid labour into a co-operative or socialist system with well paid labour. This theory also persistently ignores the uncontrolled action of economic forces. It is to be observed that the gradual raising of the municipal employee's wage and standard of working conditions above those ruling for similar occupations in private industry is not regulated by such an essentially different industrial standard of exchange as is implied in the distinction between a competitive and a co-operative system of industry, or between an individualist and a socialist social régime. The notion that the co-operative principle is being put into actual operation and will eventually supplant the competitive, along with the complete displacement of private industry by public ownership, is no doubt at the bottom of the socialist faith in this process.

At whatever stage the divergence between the wage of the State employee and that of the worker in private industry takes place, the wage of the former is based mainly on the wage ruling in private industry, which serves as the point of departure and is fixed by competition; the application of the principle of co-operation would necessitate the institution of a system of remuneration by an entirely new standard based on mutual exchanges, and this is altogether absent. The difference in the wage of the two classes of workers is, thus, merely the result

of a liberality with public money prompted by public sentiment, just as a philanthropically inclined private employer, with a sufficiently long purse, might remunerate his workpeople with a wage above the market rate.

The same end might be attained by adopting a method more closely identified with the true economic nature of the higher rate received by public employees; thus it would be possible to pay them the market rate of wages allowing them, out of a fund raised by taxation or rating, the difference between this market rate and the rate fixed by public sentiment. It would, of course, be equally possible to pay from the same fund the same allowance in aid of wages to those not employed by the public authorities, but this would be regarded as a pernicious principle, and would, at any rate, neutralize the advantage to the public employees. In the working of the municipal industries the extra wage paid to public employees has to be gathered from the public just as surely as though a special rate or tax were imposed for the purpose and, unless the public generally can share the same advantage, it is obviously another case of one section of the community benefiting at the expense of another. This is a characteristic of the competitive system and altogether at variance with the principle of co-operation and, therefore, of socialism.

Although profit-making is the direct antithesis of the industrial co-operation contemplated by socialists generally, great importance is attached, by large sections of socialists as well as by those who do not profess to be socialists, to the profits which flow from municipal or other public enterprises into the public Exchequer, or, as it is so often euphemistically expressed, the "pocket of the community"; and this in spite of the knowledge that large sums have for years been received from this source by public bodies and applied, in various ways, to "public" uses without any tendency asserting itself to redress industrial inequalities. The disposal of the profits arising from municipal industries is, of course, made under a competitive régime and, whatever the intention may be in selecting the particular channels for distribution, economic forces, knowing no sentiment, adjust the ultimate results in accordance with the competitive principle.

The profits of a particular municipal enterprise may be applied to a reduction of the rates, to a reduction in the cost of the product supplied or services rendered, or to the financing of ameliorative schemes intended, in some way, to mitigate the hardships of the very system under which these profits are made.

When municipal profits are applied to the reduction of the rates, the individual member of the municipal "community" benefits only in proportion to his assessment; and even this is a temporary advantage which will be eventually readjusted by the action of economic forces. Of whatever financial advantage accrues from a reduction of the rates, the great industrial

companies and large ratepayers reap the lion's share; the middle classes gain much less; and the share of the working man, where assessed, is an almost negligible amount, whilst those unassessed reap no direct advantage. The phrase "pocket of the community," which seems to convey to many people the idea that, as members of the same community, they have obviously an equal right to the contents of its pocket, will be seen to harbour a fascinating illusion, and that under a competitive régime the rights of the individual members of a municipality bear no greater semblance of equality than exists in industry generally. The diversion of wealth into the "pocket of the community" may thus mean no more than much to the few and little or nothing to the many.

Though a reduction in the rates is felt by the larger ratepayers as an immediate gain, the more so if unexpected, the play of economic forces, as already intimated, soon readjusts economic relationships to normal ratios. The rates form an item of expense which every business man must include in his working cost, and to which those not engaged, as capitalists, in business must give due consideration in their cost of living. As the rates are included in the cost of production of all industries, the employer seeking to recoup himself in the price of the product, the burden of the rates does not fall upon the employer but is diffused throughout the community. A general reduction of the rates naturally reduces the cost of production, and competition tends to reduce the price of the product in a similar proportion. The reduced cost of production may attract more industries and, therefore, more workpeople to compete amongst themselves with the result of the driving down of wages to the new level of subsistence. No permanent gain, in the sense of a more equitable distribution of wealth, is to be expected from this method of applying the profits of public trading, and the little direct benefit a working-man might receive by the division of profits through the rates would soon be taken from him by industrial competition.

If the profits are applied to a reduction in the cost of the product or the charge for the services supplied, which so many people seem to regard as a clear gain to the public, it is evident that a corresponding reduction in the cost of living is the consequence, and that competition amongst the workers will inevitably deprive them of any little resulting advantage by driving down wages as the cost of living decreases. A low cost of living which means a low cost of production tends, as already stated, to attract industry which may be reckoned a benefit to the particular community, though probably at the expense of some other community, in the sense that it provides greater scope for industrial activities and greater national wealth, but not in the sense that it produces or tends to produce a more equitable distribution of wealth.

In the case of the application of profits to the financing of schemes intended to alleviate the hardships of the present competitive system, this is only another form of public charity which, as we have endeavoured to show, offers no hope of any radical change.

Lastly, we must not overlook the fact that the capital for the financing of these municipal enterprises is usually borrowed from private industry and must be repaid within a certain number of years with interest. This capital being in this way reinvested in private industry, with the advantage of a lower cost of living and possibly lower rates, will tend to expand private industry at an even more rapid rate. The idea entertained by many advocates of this species of socialism is that each industry municipalized or nationalized limits, by so much, the scope for private industry and that, eventually, all industry will be under public control. It would seem, however, both from theory and experience, that the very opposite is the case, and that successful municipal enterprise, by increasing the general efficiency of the industrial system, tends to expand private industry.

Viewing economic action in detail on the lines here indicated, it must be clear that, so far as one isolated municipalized industry is concerned, its ultimate effect on the whole industrial system, after it has been thoroughly assimilated and the economic disturbances have subsided, is absolutely nothing. Notwithstanding this, however, and the unmistakable fact that the same fringe of poverty and the same industrial features generally persistently follow progress in the direction of this form of collectivism, such blind faith seems to be placed in the ultimate efficacy of the process as to hide the stern truth that, if one industry produce nothing, two industries will produce twice nothing, and that several industries municipalized, either simultaneously or one after another, will produce several times nothing—that is to say, nothing of a radical nature that tends to redress the inequalities of wealth.

It is probable that the conspicuous tendency to raise the standard of wages and working conditions of public employees outweighs all other considerations, in the opinion of many advocates of municipalization, the possibility of another section of the community having to suffer for it being completely ignored. The open competitive system produces, as is well known, wealthy and privileged classes of varying degree, but one never hears the argument that the continuous operation and intensification of that system will result in eventually extending these privileges and benefits to the whole community and so eliminate poverty. The belief that the process of gradual collective ownership will eventually raise the whole working-class in the economic scale seems to rest, as already suggested, on the fallacy that the principle of co-operation is being applied to industry, in such a form as to gradually supplant the principle

of competition; but the considerations here advanced show that, though public ownership may greatly extend, the fact of its dependence on competitive industry makes it obvious that, it can never extend so far as to take in all industry. The extent on, therefore, of public ownership on these lines will find its limit in an economic *cul-de-sac*.

Privileged classes being the natural consequence of competitive industry, the creation of the particular form of privilege associated with public employments may, even from a superficial view, be regarded as evidence of competitive, rather than co-operative, action; the closer examination of the subject will not only confirm this but also exhibit this tendency as one of peculiar menace to social progress.

In judging of the effects of the general tendency to raise the standard of working conditions for public employees, we must bear in mind that it is the same human nature that is being dealt with, and that the benefits which come to those privileged to be employed by a municipality or other public body are accepted in exactly the same spirit as any other form of benefit in private industry; however disposed an individual may be to extend the same benefits to others, he has as little power of doing so as he had when employed in private industry, and he must, perforce, resort to the methods of private industry to conserve his present, and strive for further gains. We thus have combinations of municipal and public employees of which the objects are identical with those of trade unions in private industry. Between private and public industry, however, there is this difference in regard to union action, that whereas the class of private employers are little influenced, in policy, by public sentiment, and not at all in personnel, the whole policy of a public authority may be influenced by public opinion and the personnel of these bodies may be so varied from time to time, largely by the influence of these unions, as to deliberately carry out the policy dictated by public opinion, whether right or wrong. The attainment of higher wages naturally forms a prominent object of union effort, and little imagination is required to foresee a more pronounced tendency in this direction with the spread of public employments and the activity of these unions in moulding public opinion. Bearing in mind, then, that the process of gradual municipalization must terminate in an economic *cul-de-sac* under any circumstances, we are faced with the much greater menace of a vast body of privileged labour permanently interposed between the very rich and the very poor. Under such conditions the position of the unprivileged and very poor would be one of great servility, the burden of which might possibly not be removed without a physical force revolution.

It is, of course, more than probable that long before this extreme state of society could actually come into existence experience would prove the unsoundness of the economic theory

upon which the expected transformation is based and new policies and measures inaugurated. It is well, however, to reflect that concurrently with the economic tendency here discussed, complementary social tendencies are adapting social institutions, relationships, and conventionalities, in conformity with the economic conditions created, and that, therefore, any new policy of reform that might afterwards obtain a hold on public opinion would have an infinitely more formidable array of vested interests with which it would have to contend, thus seriously retarding the true reform.

Daily experience of the officialism engendered by the process of gradual public ownership under the competitive régime, even so far as it has gone, furnishes sufficient evidence that the power (inherent in this régime) of the economically strong to oppress, consciously or unconsciously, the economically weak is by no means eradicated, but merely modified in its method of expression; this modification may, and probably does, conduce to a state of society in which this power of classes over masses is greatly accentuated.

Those who have had the opportunity of, or the necessity for, a more intimate knowledge of the ways of local governing bodies and their multitudinous committees and officials can scarcely fail to be impressed with the absolute inevitableness of the tendency. The same springs actuate, and the same morals regulate, business transactions in both private and public industry; we find, therefore, that the individuals composing the public authorities, whatever powers they may possess in theory, are in practice restricted mainly to conventional methods, any departure from an established course being, as a rule, the result of a more or less definite agitation. Thus we find in public bodies, even where they possess full powers, no greater disposition to execute social righteousness and justice than is to be found in the open competitive system. The interests of self and one's friends influence the action of members of public bodies just as they do in private industry. It is not an uncommon remark to hear, nowadays, in reference to private industry, that unless a person has "influence" at his back it is most difficult to make much headway; and this same species of "influence" finds similar scope on public bodies, whose members may use the influence and advantage these positions give them to obtain, for their friends or their own families, lucrative posts or other smaller favours at the disposal of the committees upon which they sit. Although this influence may be exerted with the best of intentions towards friends, it nevertheless bears unjustly upon the general public, whose interests, rather than their own, public representatives are supposed to protect. It can easily be imagined, moreover, that, as one good turn deserves another, this particular form of influence must necessarily assume a mutual aspect and, in this way, without any definitely formed clique, the rights of

the general public tend to disappear before the ever increasing mass of interests centring around the public authority. The frequent remark that "unless you have friends on the committee you stand little chance" is an indication of the prevalence and subtlety of this comparatively mild influence which may be exercised quite unconsciously by those having, in other respects, high public ideals, and a high sense of public morality; but the fact that it is not so easily discernible from the grosser forms makes it all the more effective as a means of creating and perpetuating the conditions of privilege. It is, perhaps, unnecessary to refer to the more extreme forms of self-interest in which men occupy these public positions with the deliberate object of using their public trust for the furtherance of their own private ends; but they are, nevertheless, plain indications that the self-interest inherent in competitive industry finds means of expression even under public ownership.

And, finally we have, in the indefinite extension of public ownership under the competitive régime, a tendency for local government which is, in theory, centralized and particularly sensitive to the intelligently directed will of the people, to revert to the conditions prevailing in the open competitive system. Members of different committees of the same body cannot possibly have the same knowledge of the details of their departments as they have of their own and, as a matter of fact, the members of one committee of the same department of administration may be absolutely ignorant of what is done by another committee, and there is the tendency for members of a public body to accept the authority of the committees on matters with which they are specially concerned. With the gradual extension of public ownership, and the consequent great multiplication of committees and officials, it is evident that the functions of government must be spread over a larger and larger area involving an infinitely greater division, and decentralization, of functions. Thus there would eventually be exactly the same necessity for public agitations to influence the policy of local government, or secure the removal of abuses in local administration, as exists at the present time in regard to national politics.

A collateral tendency leading, as many socialists think, to the same goal is the apparent concentration of capital into fewer hands which, in the growth of large financial and industrial syndicates, trusts and corporations, is a conspicuous feature of modern industry. The economic result of this process from a superficial point of view, seems to be the elimination of competition and the creation of a concentrated form of industry which is eminently adapted for absorption by the State, as going concerns, that may be successfully assimilated in the process of gradual transference to public ownership.

Much emphasis is laid on the apparent elimination of competition as a consequence of trustifying industry. A trust

may annihilate all competitors in the industrial struggle and create for itself a virtual monopoly; but this should be regarded rather as competition carried to extreme, for the competitive element still remains and will reassert itself if any other opponent has the temerity to appear.

It is not a little misleading also to conclude that, because a legally recognized corporation becomes, by the process of absorption of smaller industries, the formal owner of a vast industry, there is a reduction in the number of capitalists. Modern methods have made it possible, not only to concentrate great industries under a central management, but to extend the sphere of actual ownership by the expedients of stocks and shares, so that the concentration of industry in the hands of a smaller number of companies and trusts may actually correspond with an extension of real ownership. This greater diffusion of capital, tending, as it does under competition, to increase the power of vested interests, naturally becomes a formidable obstacle to the actual nationalization of these trusts, were this expedient economically sound and beneficial to the masses; when it is realized that the transference of these industries from their present owners to the State confers no appreciable benefit on the community, and amounts merely to the taking from one set of capitalists and giving to another set, it can only be expected that this vested interest should prove insuperable.

That the nationalization of Trusts and similar forms of industry, instead of radically modifying the system, must perforce result merely in adaptation to the prevailing industrial conditions, which are the inevitable consequences of the operation of the competitive principle, the following brief considerations of the economic changes necessitated by the process will perhaps show. Even though the State pay the holders of the Trust Capital the value of their holdings, the industrial changes consequent on the diversion of capital into many new channels would be considerable, and these changes, involving fluctuations in labour and other conditions, could only terminate in a shuffling of existing economic and social relationships; the dislocations would, of course, be much greater were the State to take over the industries without payment. If, with a view of diverting the profits of the Trust into the pocket of the community and of working it generally in the public interest, fundamental alterations were made in its management it must, under the force of competition, dissolve and clear the way for the emergence and development of another trust.

In order to secure the continued profits of the Trust, the price of the product, in which the trust dealt, would have to be maintained at its high level, thus serving as a powerful inducement for competitors to enter the market. It would be necessary therefore, for the State to adopt one of two courses either of which would be a departure from what is now regarded as sound commercial principles. The State would have either to

enter the industrial struggle against its new competitors, just as the Trust did, or seek legislative protection by the creation of a State monopoly in the article.

The entering of the State into active competition with individual members of itself—a course which could only greatly intensify the industrial struggle and is diametrically opposed to socialist ideals—is an expedient which is no more likely to commend itself in the future than it has done in the past, and may, therefore, be considered impracticable. As to the alternative of a State Monopoly, it is doubtless possible that in certain exceptional cases this expedient has proved and may prove beneficial to the community, but without affecting the general economic conditions. The systematic creation of monopolies, however, to protect State acquired trusts opens up a new industrial outlook, and one may naturally inquire why, if this is a sound principle, should not monopolies be freely granted to public companies and trusts with a view to facilitating their expansion by affording them the protection of the law against possible competitors, so obviating the needless struggle in killing them by ordinary commercial means? Fortunately, past experience is a sufficient warning against the adoption of such a course.

The nationalization of these trusts, one by one, is in fact a process closely analogous, from an economic point of view, to the municipalization of industry, and the same arguments applied to the latter process apply with the same force to the former. While it may, apparently, confer some benefits on the community, it does nothing to correct the inequality in the distribution of wealth, does not effect any fundamental change in the principle that regulates industry, and must, consequently, lead to an economic blind alley in which the process of nationalization can go no further.

Although, no doubt, those enjoying the better wages and conditions of State employment would be quite willing that all workers should attain a like standard, the fact that the system of industry, for which they are as responsible as others, makes this impossible, fosters that spirit of callous indifference to the welfare of others which is so familiar a feature of modern civilization. Thus, the tendency of this process of nationalization, as of municipalization, of industry is, by the greater extension of State-paid labour and its attendant officialism, to create such a barrier of privilege between the very rich and the very poor as to make the condition of the latter one of abject and hopeless slavery.

A transition from economic power to military power is natural and easy. When we reflect, therefore, on the tendency that shows itself to link up local and national government, we may form some inadequate idea of the power to which this class of privilege tends, of the utter helplessness of the lower classes and the nature of the revolution that would be necessary to

secure their liberation. The prospect of a national militarism being reared upon this economic foundation opens up a vista of social conditions in which freedom and justice become a mockery.

What has been said of governmental participation in industrial activities is not, of course, to deprecate all government interference, but to endeavour to make it clear that purely economic consideration, as well as actual experience, show that the process by which industries are actually acquired and worked has no modifying effect on the competitive principle, and consequently, does nothing to mitigate its evils; rather, on the other hand, does it tend to an aggravated form of these evils, thus producing, despite all appearance to the contrary, the very opposite to the socialist ideal. We must, in fact, recognize the truth that this process does not contain any innovatory departure by which a fundamental change is introduced into the system of industry itself and its general effects must, therefore, remain the same. Thus a collectivism, embodying the industrial equality contemplated by socialism, cannot possibly evolve from competitive industry without a radical innovation by which the competitive basis of industry is changed.

CHAPTER VIII.

The Nature of Land Value.

GREAT diversity of opinion prevails on the question of the land ; but it has come to be regarded by a very large section of the public as an economic factor totally unlike any other industrial factor and which dominates the whole system. Thus, it is argued, that land, not being the result of man's labour or intellect but a free gift of nature and limited in quantity, requires to be dealt with by distinctive methods ; and these methods differ in accordance with the particular theories variously entertained.

The firm hold that these latter conflicting views on the land question have acquired is no doubt largely due to the active propagandism that has, for the last thirty or forty years, centred round it, mainly through the efforts of the advocates of the two theories underlying the proposals known as "Land Nationalization" and the "Single Tax." The ideas that this land agitation has succeeded in instilling into the public mind strongly influence political action and create a political bias that makes an impartial consideration of economic questions almost, if not quite, impossible. Thus land is held to be an immense monopoly by which greedy landowners not only extort from human beings vast wealth for the privilege of living, but create for themselves such positions of privilege and power as to be able to tyrannize over inferior mortals ; class antagonism is an inevitable consequence, and this naturally tends to aggravate the social evils that every one is so anxious to mitigate.

The true bearing of the land in its relation to industry is a question therefore, that demands special notice from the particular point of view here adopted which regards land and its value as subject, like every other department of industry, to the operation of blind economic forces set in motion by our unregulated expression of demand.

First, then, with regard to the question of the appropriation of land. "The requisites of production," says J. S. Mill, "are two : labour and appropriate natural objects." This statement of Mill's, with which we shall all agree, obviously implies the necessity of appropriation of "natural objects" as a requisite in wealth production ; yet land-appropriation has been, and still is, regarded as wrong in principle and vicious in effect. If a man could take from the earth a very small quantity of certain minerals and, by his own labour, fashion them into that useful article, the watch, no one, probably, would consider it unreasonable that he should appropriate the "natural objects" on which his labour had been expended and carry them about with him in his pocket, for the watch would, otherwise, be of no use to him. The minerals or metals might, while being absolutely valueless and useless in their crude state, become, through the

embodiment of labour in them, of great use to the owner ; and one cannot conceive of a man thus applying his labour to materials that cannot be appropriated.

It would be just as unreasonable to expect a man to apply his labour to the soil unless he could appropriate that soil for, at least, a sufficient length of time to enable him to secure the return to his labour. In a country, say, where there are thousands of square miles of good land and only a score or so of people, the land would possess no exchange value ; each individual could select a patch to till, or not, just as it suited him and under such conditions no one member of the community could possibly entertain an idea that the appropriation of a plot of land by another was an infringement of his own rights. In such circumstances, the land itself being valueless, and any other plot equally suiting his purposes, the cultivator would value only the labour applied to the land and the produce resulting therefrom ; the appropriation of the land would thus be nothing more than the necessary means of appropriating his own labour.

It may, further, be assumed that, if this small community possessed the standard of morality and intelligence existing in modern civilization, the members would respect each other's rights to the value they severally created in the soil by the application of their labour ; for if, on the other hand, this right of appropriation was denied by the majority who insisted on using any portion of land to which labour had been applied by walking on it while under tillage, damaging the crops in growth, or even gathering the fruit without any payment, then both the application of labour to, and the appropriation of, the land would be impossible. Such a community would, in fact, still be in a state of savagery.

Public ownership will naturally suggest itself as the alternative system of land tenure. In a primitive state of society, before either appropriation or industry, we have one extreme phase of public ownership in which each individual member of the society has not only a theoretically identical interest in the land, but a practically identical right to its use according to his private inclinations. The other extreme phase of public ownership would be exhibited by its adoption under modern civilized conditions ; while each member would possess a theoretically identical interest in the land each member would, as far as its actual use is concerned, be expropriated—no one would have the right to its unrestricted use such as existed in primitive times, for the land is appropriated to public use, and private interest must always be subordinated to the interests of the public ; only those authorized would be on the land. It is remarkable with what pride a Socialist will occasionally refer to a public park as an instance of the ownership by the people of their own pleasure grounds, and this notwithstanding the conspicuously careful precautions taken to curb the "owners'" impulses to walk on the grass or to pluck a flower. Public ownership is plainly not

a substitute for appropriation but an extreme phase of it; and the justification for its adoption would depend upon the particular device by which the interests of those on the land and those in industry were mutually adjusted.

This theoretically identical interest in the land may be said to exist in all modern democratic communities, whatever the particular land system in vogue, for all property is held subject to the laws of the country and these laws may be varied so as to change the land system in conformity with the wishes of the people. But whether the appropriation of the land takes the form of private property or public property or a combination of both, the people cannot possibly have "access to the land" in its literal sense; and, if the phrase "access to the land" means merely access to the products of the land, this is the function of industrial exchange already in operation. The products of the land, as we know, are diffused, though very unequally, throughout the community through the ordinary channels of distribution and exchange, and, if those expropriated from the soil are to receive due compensation, it resolves itself into a problem of industrial organization.

The appropriation of the land is, thus, in the interests of the community, because only by such an expedient is modern industry and modern civilization made possible.

With regard, in the second place, to the nature of rent and the question of monopoly, rent and monopoly are inextricably connected in many people's minds and one cannot be conceived without the other. The prevalence of the idea that rent is due to, or at least, intimately associated with, monopoly in land no doubt accounts for the attitude of those who trace all our social evils directly or indirectly to the land system, which they, therefore, regard as the key to the social problem. This association of monopoly with rent seems to receive, too, the sanction of orthodox economists, although these latter, at the same time, propound the theory that economic rent is due to the difference in fertility and other advantages which certain lands possess as compared with other lands, regardless of the system of land tenure. Thus Adam Smith says: "The rent of land, therefore, considered as the price paid for the use of the land is naturally a monopoly price. It is not at all proportioned to what the landlord may have laid out upon the improvement of the land or to what he can afford to take but to what the farmer can afford to give." Nevertheless he also explains, from his point of view the causes of rent as arising from general industrial conditions. John Stuart Mill, too, says: "It is at once evident that rent is the effect of a monopoly; though the monopoly is a natural one which may be regulated, which may even be held as a trust for the community generally but which cannot be prevented from existing." Yet as a result of his investigation, Mill concludes that "the rent of all land is measured by the excess of the return to the whole capital employed on it above

what is necessary to replace the capital with the ordinary rate of profit, or in other words above what the same capital would yield if it were all employed in as disadvantageous circumstances as the least productive portions of it."

From this passage one would naturally conclude that Mill himself saw clearly enough that rent is not a toll which a landowner, as a monopolist, may exact at his pleasure, but that it is the natural and inevitable creation of industry, is regulated by the forces which regulate every other domain of industry, and would accrue under any system of land tenure. If a landowner does not himself charge the natural, or economic, rent to the tenant, the capitalist farmer, the latter would be by so much the gainer; this is not eliminating rent, it is merely diverting it from the pocket of one capitalist to that of another.

Such an emphatic statement of Mill's view, quoted above, that "rent is the effect of a monopoly" seems to be peculiarly at variance with other passages in his treatment of the subject. Thus in dealing with 'Rent in its Relation to Value,' he says: "If the portion of produce raised in the most unfavourable circumstances obtains a value proportioned to its cost of production, all the portions raised in more favourable circumstances, selling as they must do at the same value, obtain a value more than proportioned to their cost of production. Their value is not, correctly speaking, a scarcity value, for it is determined by the circumstances of the production of the commodity, and not by the degree of dearth necessary for keeping down the demand to the level of a limited supply." And further: "It was long thought by political economists, among the rest even by Adam Smith, that the produce of land is always at a monopoly value, because (they said) in addition to the ordinary rate of profit, it always yields something further for rent. This we now see to be erroneous. A thing cannot be at a monopoly value when its supply can be increased to an indefinite extent if we are only willing to incur the cost."

It may be that the word "monopoly" as used in the above passages was intended to convey a somewhat different meaning to that popularly attached to it now, but the phraseology employed, with present-day interpretation, seems to confirm the belief that rent is in some way the outcome of land monopoly instead of a natural consequence of modern industry. This error, so deeply rooted in the public mind, must necessarily have a mischievous effect on the progress of real reform.

With a view of obtaining, if possible, a clearer conception of the fact that there is no necessary connection between the nature of rent and the principle of monopoly, let us suppose there exists a small community in which half the population is employed in industry and the other half on the land, the latter forming a belt of uniform fertility around the industrial centre. Leaving the question of ownership out altogether, it may be conceived that by a system of mutual exchange each member of the

industrial circle receives an equal share of agricultural produce in return for his share of industrial produce, and that each member of the agricultural circle receives an equal share of industrial produce in return for his share of the produce of the land. It is plain that although there is here appropriation of land and means of production for a special purpose, there is no monopoly because industry is organized so that each member of the community receives the full reward of his labour. The public would, broadly speaking, be as effectually debarred from the land, except as workers, as they are under modern industrial conditions but, what is infinitely more important, they would have full access to the produce of the land, which under modern conditions they have not, because industry is not organized to this end. Now let us suppose that the size of this little community is suddenly doubled. Twice the number will now be engaged in industry and twice the number in agriculture, an outer belt of land being taken in to provide for the increase in agricultural population. If the outer belt of land is of the same uniform fertility as the inner, or first belt, the system of exchange or distribution will not be disturbed; but if the outer belt is inferior in fertility—say that it will, with the same labour, produce only two-thirds of the produce of the inner belt—then the basis of distribution hitherto operating will not be equitable, for all those working on the inferior belt of land, although applying the same average of labour as other workers, can only produce two-thirds of what the latter produce and, in equity, some readjustment of distribution must take place. The only adjustment that will satisfy the justice of the case is the deduction from the earnings of all the other workers of a sufficient portion of their earnings to make up the difference between the actual product of those engaged on the inferior land and the general average. So that the difference between the productive value of the inferior and the good land becomes a general charge on the public through the necessity of having to resort to an inferior soil to meet public needs, for in reality, the taking of the inferior soil amounts to an actual reduction in the average *per capita* producing power of the community.

There is, of course, little likeness between the organization of industry just depicted and modern industry; but that rent is, in modern industry, a charge upon the public is sufficiently obvious; it is collected by the farmer in the price of his produce to be afterwards paid over to the landlord. We are not to conclude, however, that the landlord thus monopolizes what ought to go to the workers on the poorer qualities or less advantageously situated lands. Broadly speaking, and exceptions apart, a man cannot under our present system monopolize rent; if he wishes to secure the ownership of a tract of rent-bearing land, the conditions of industry require him to pay such a sum of money for the right to receive the rents as virtually amounts to an investment yielding no greater return than a similar

investment in any other department of industry. That some people did not originally secure their title to the land by the investment of money does not alter the fact any more than the gift to-day of landed estate, or of industrial property, would; in the latter case our commercial instinct would instantly appraise the gift at its commercial value. By whomsoever the land has been held from ancient or mediæval times, or by whatever method the distribution originally took place, the general course and modern development of industry cannot be said to have been appreciably influenced. If the original owners had actually paid for their land at their ancient values or under whatever other method of distribution of lands can be conceived, values would still have been adjusted on their present basis just as they are in new countries where the existence of an ancient landed aristocracy does not complicate the question, and as they would be if the whole land could for a moment be equally divided amongst present members of the community.

Now neither of the two policies of land reform just referred to professes to aim at the establishment of a definite industrial organization by which an equitable exchange, as between land and industry, may be affected; they both leave the speculative element in industry and competition untouched from which one ought naturally to conclude that the general industrial conditions will remain unaltered even if the reforms themselves were put into force.

A consideration of the economic action of the reforms will substantiate this conclusion.

CHAPTER IX.

Policies of Land Reform.

HAVING stated the economic considerations for rejecting certain popular conceptions of the nature of social interests in land, it remains to indicate briefly, from the action of the industrial process itself, the general results to be expected from reforms instituted in pursuance of the two main policies of land reform and which are founded upon these conceptions.

NATIONALIZATION.

Land Nationalization aims at the extinction of all private property in land, the State to become the one owner. There are two ways in which the State might deal with the land. In the first place it might itself cultivate the land by the employment and direction of the labour and the sale of the produce; this, would be a step towards that State Socialism which is expected to result from the process of gradual Nationalization, and this, we have endeavoured to show, is a dangerous tendency while competition actuates the industrial system.

This form of State control is not, however, the most popular one. The Nationalization proposal of practical importance contemplates a landlordship vested in the State, which would let the land on rental just as present landlords do. In this case the State-tenants would be expected to make the rent from profit-making processes, and, if they failed to pay it, would naturally be turned off the land by the State or "the people." The land would thus be still subject to the blind action of economic forces, which fix its values and determine its general relationships with industry.

It may be contended that State ownership would allow freer access to the land by offering facilities for small holdings, and that, by guarding tenants' rights and bringing the results of science and experiment to the aid of the tenants in the cultivation of their holdings, much could be done not only to improve the conditions of those actually on the land, but to raise the productivity of the soil, a fact which most people seem to interpret as an undoubted gain to the masses of the people. It must be borne in mind, however, that agricultural produce cannot be consumed in unlimited quantities. There is at the present time capacity to produce sufficient foodstuffs to meet the requirements of the whole community, and, if by a series of improvements this capacity were doubled for the same labour effort, it cannot seriously be claimed that the community would consume twice as much food. In such a case the natural course, as a consequence of economic forces, would be that the greatly increased production would lower prices to such a point as to make it unprofitable to employ Capital and Labour in the production of

food, so squeezing out of this industry such a number of producers as to reduce the output of foodstuffs to correspond with the demand expressed by the purchasing power of the public. Thus, whatever other indirect benefit intensive culture or increased productivity may confer on the public, it has no tendency to redress the inequalities of distribution. Whatever artificial means are adopted for getting people "back to the land," the public demand and the action of economic forces determine the extent of land ultimately under cultivation, reducing the rural population to the normal proportion in spite of these artificial expedients for increasing it. If the productive power of the land of this country were, by any means whatever, increased to the extent of being able to feed the whole population, it does not follow that there would be less poverty. Production, increased to such an extent at home, means that less would be required from abroad and, as our market would thus be closed to our wheat-growing colonies and other food-producing countries, we might expect the flow of emigration to turn back to this country. We could in fact, have a very much greater agricultural population with a much denser town population and a correspondingly increased congestion with more dire poverty.

The Nationalization of the Land means, of course, that the rents would be paid into the public exchequer instead of, as now, into the pockets of private individuals. Although some advocates of land nationalization would be agreeable to the State taking the land without compensation, the movement, as a whole, is actuated by moral principles, and would buy out the present land-owning class; and it may be said, therefore, that the present aim of the movement is to effect the State purchase of the land. Whether the land is taken without payment or bought at its full commercial value, the economic system being still actuated by the same economic principles, must eventually readjust relationships in accordance with these principles. The readjustments of capital, which would be facilitated by the issue of government bonds for the purpose, would probably cause the least of any of the dislocations consequent on the change. In cases of existing land mortgages and investments on the security of rents for various purposes, the government bonds would be a convenient substitute, and that portion of rent which, under present conditions, is destined for investment as capital would still be applicable to the same purpose by reason of the capitalized value of the rent paid over by the State. The amount of that portion of rent value which is now consumed as luxuries by the wealthy classes need not necessarily undergo any modification by the change. All these changes could take place without causing any very appreciable modification of industrial features. Then as to that portion of the rent that finds its way into the "pocket of the community," the incessant action of competitive forces will determine the distribution of this amongst

the individual members of the community on the lines of present distribution—to the wealthy much, to the poor little or nothing—for the same competitive forces still operate. This latter point has been dealt with already in dealing with Collectivist Tendencies of which Nationalization is a phase.

Thus the land may be nationalized, with or without confiscation, the change in the land system making no appreciable impression on industrial features because these are determined by economic forces which nationalization cannot modify. If the land were actually nationalized, it can scarcely be doubted that there would, under the influence of competitive forces, soon assert itself a tendency to a reversion to present conditions. Present economic forces would regulate the extent of land in cultivation or put to other uses, the general proportions of industry and agriculture, the rents both agricultural and urban, together with wages and profits throughout industry. The relationship between the State and its tenants would therefore remain the same as now exist between private landlord and tenant; any tenant who failed to pay the rent would have to quit. As there would necessarily be, either by leases or other means, security of tenure for definite periods, there would be the tendency for tenants undisturbed for a number of years to regard their holdings as permanent, and, as custom has much to do with the ultimate establishment of rights, there would be the tendency for private ownership to re-establish itself with all the rights as to rents that now attach to it. This result is to be expected from the nature of the competitive system—however we may apportion wealth artificially, left to the action of uncontrolled economic forces, it will revert to present conditions.

TAXATION OF LAND VALUES.

The single-tax ideal is to obtain all public revenue, national and local, by the taxation of the full economic rental value of natural opportunities, dispensing with all other taxes which are regarded as a burden upon industry. There would thus be one, the "single" tax. This ideal is to be attained by the imposition of a small tax upon land values gradually increasing up to twenty shillings in the pound, the process being accompanied by a corresponding decrease in the existing taxes to the point of extinction.

The avowed aim of Henry George and his followers is virtually to take the land without compensation, thus contrasting strangely with the spirit of fairness, as between State and landowner, that has actuated the Nationalization movement. Says Henry George:—

"I do not propose either to purchase or to confiscate private property in land. The first would be unjust; the second needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call their land. Let them continue to call it their land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the

kernel. It is not necessary to confiscate land; it is only necessary to confiscate rent."—'Progress and Poverty,' Bk. VIII. chap. ii. In justice, however, to a large, if not the larger, proportion of those who associate themselves with the movement for the taxation of land values, it may be said that they are not attracted so much by the particular theory propounded by Henry George as by the taxational facilities the proposal appears to afford for tapping new sources of wealth and, perhaps, exerting, in some vague way, pressure on the land-owning class.

Some pains are taken to explain that the single-tax is not to be applied to land but to land-value. This distinction seems an important one from the single-tax point of view, because a tax may be imposed upon land that yields no economic rent, whereas it is only the economic rent that this proposal has in view, there being no intention either of taxing or taking land, only its value. Nevertheless, the final result of this process must be the vesting in the State of the rental value of the land, and it would, therefore, inevitably lead, if practicable at all, to precisely the same conditions as those produced by land nationalization. Thus Henry George himself says: "As the tax was increased speculative or anticipatory values would rapidly disappear, while selling values would diminish, and if the tax were pushed to theoretical perfection it would also disappear. But rental or use value would remain" (*Century Magazine*, July, 1890, p. 401). The vesting in the State, therefore, of this rental or use value would be the final result of both nationalization and single-tax methods—the State would be the virtual owner in both cases.

The initial stages of the process by which the single-tax ideal is to be attained clearly involve no more than ordinary and familiar methods for raising revenue by taxation, and it is probably, as already suggested, this more immediately practical aspect that influences the vast majority of those who support this land policy. The movement, as a whole, may be regarded as a conglomerate mass of opinion of which the bond of union is supplied by single tax inspiration, but without the impression of its definite ideal. As this movement, however indefinite as regards ideals, has now attained such political importance as to largely influence the Government's land policy, it will be evident that its power for evil, if fundamentally unsound, is a very serious matter.

So far, then, as the taxation of land values is adopted as one amongst many methods of raising public revenue without any claim that it produces distinctive economic effects, it falls within the category of those taxes that have already been considered and which, we have seen, do nothing to redress the inequalities in the distribution of wealth. What we have to consider here, therefore, is the claim that the taxation of land values will produce the economic and social effects embodied in the single-tax ideal—that the appropriation of economic rent by taxation is, in fact, "the simple yet sovereign remedy

which will raise wages, increase the earnings of capital, extirpate pauperism, abolish poverty, give remunerative employment to whoever wishes it, afford free scope to human powers, lessen crime, elevate morals, and taste, and intelligence, purify government, and carry civilization to yet nobler heights" (Henry George, 'Progress and Poverty,' Bk. VIII. ch. 2).

If this desirable end could be attained by so simple an expedient, it would plainly be our moral duty to secure its adoption without delay. It is evident, however, that most people are unable to endorse the theory from the fact that their intimate acquaintance with industrial processes teaches them, perhaps intuitively, that the results anticipated cannot possibly ensue from the process of remission of present taxes on income and industry and their imposition on land values.

The remission of taxes on income and industry naturally liberates, in the first place, certain funds that may be spent in new channels and, to this extent, tends to increase the demand for labour and, consequently, to raise wages in the particular industries affected. The imposition of taxes on land value must, on the other hand, by diverting certain funds into the State exchequer prevent their being spent in the channels in which they were accustomed to be spent: this tends to restrict the demand for employment and consequently to lower wages in the particular industries affected. These two sets of actions are consequent upon competitive forces, and the final adjustment must be made in accordance therewith; where the reduction or abolition of taxes on industry results in a reduction of the cost of living, competition drives down wages to the new level; where the increased wages increase the cost of living, wages tend to rise. The fluctuations in trade, with the consequent variations in demand and supply of labour, produce the results with which we are familiar as a permanent feature of competitive industry; and a change in taxation, such as an increment of the tax on land values, with its corresponding remission on income or industry, will, therefore, after its disturbances have subsided and things again assume normal conditions, have effected absolutely nothing. This result is inevitable, for blind expression of demand with the consequent speculative element, still actuates economic processes; competition is even regarded by the single-taxer as an industrial necessity which, under the régime he advocates, is a beneficent principle of action.

Bearing constantly in mind the fact that competition is to continue to actuate our industrial intercourse, certain effects which, the single taxers claim, will follow the adoption of this method, must be seen to be altogether illusory. Thus it is said that the shifting of the tax from the building to the value of the site upon which it stands removes a burden from industry. The man who builds a large shop or store on his own or someone else's land has to pay rates and taxes in respect of

the whole premises and, seeing that neither the value of the site on which the building stands nor the values of vacant sites in the vicinity are taxed or rated, his industry is said to be burdened, and himself penalized for putting the land to a useful industrial purpose. The mistake, here, surely is the failure to see that it is impossible to separate the land and the building. It is, of course, possible to value the land apart from the building for taxational purposes. It would be possible also to value the slates that cover the building, the bricks of which it is built, or the wood-work used in its construction, and to collect a tax from one or all of these parts. However rates and taxes might be apportioned as between various parts of the whole, everyone knows that such charges are, and must be, paid out of monies taken over the counters of the shop or store, and that these monies come from the general public. The land itself has no more capacity for producing rates and taxes than have the slates, bricks or timber, and the revenue of the industry as a whole is the one source from which rates and taxes must be paid whichever part of the complete structure is actually assessed—whether the ground or the roof or the door-step.

Then we have the idea that the shifting of all taxes on to land values will have the effect of forcing land into use, thus, it is claimed, creating more employment and so raising wages and profits, besides equalizing the burden of the taxes as between those landowners who put their land to use and those who do not. Under the single-tax régime speculative industry is to be perpetuated, competition being an indispensable factor in the march of progress. The motive for putting land into use will, therefore, be as now—the prospect of making profits. If such a heavy burden is placed upon idle land as to force a weak owner to do something with it, it does not follow at all that it will be put to serve some industrial purpose because the prospect of profits depends, not upon the burdens the land bears, but upon the demand and supply of many things, including labour; and however high may be the cost of production in which taxes are included, if the expected revenue will show a sufficient profit the land may be put to use. Thus the weak holder, forced to do something with his land, may sell, probably at a reduced price, to a stronger holder who can afford to bear the extra burden and keep the land idle until such time as conditions warrant an industrial venture.

What brings land into use is the "demands" of the community, and only so much land can remain in use as will supply these demands. To say that employment can be increased by merely forcing land into use whether there is the economic demand for the produce of the land or not is to reverse the natural and obvious economic sequence.

Nor is it the whole truth to say that idle land escapes its share of the burden of taxation. In the case of the man who, believing that, later on, his land can be utilized for more important purposes and therefore, in a more remunerative way,

keeps his land idle and forgoes present interest or profit on the capital he has invested, it may be assumed that such a speculator anticipates covering, in the ultimate enhanced value, all the interest on capital he forgoes as well as an extra profit, and it follows that the land and building together must represent a greatly increased value, and would therefore be assessed at a much higher rate than as though he had put the land to use earlier. Such a man would, therefore, virtually pay through the higher assessment the rates and taxes that he would otherwise have paid had he put the land to earlier use.

The speculative element pervades all industry and, as already pointed out, it is not claimed that the application of the principle of the single-tax will alter this. A landowner is a speculator whether he puts his land to present use or keeps it idle in anticipation of its being applied later on, to more important, and therefore more remunerative, purposes; and the speculator who puts his land to present use is not necessarily a more useful social unit than the speculator who keeps his land idle, for they are, in fact, both doing what they think the best for themselves, neither considering the interests of the community.

From another point of view, too, the advantage of forcing land into use (were it possible) is questionable while all industry is necessarily speculative in character. It is this speculative element which keeps much land idle in anticipation of industrial and town developments. Land which it is thought may be particularly adapted for works and factories, or likely to be required for the extension of business centres, or for public or other prominent buildings, is kept idle in the hope that the higher eventual values will recompense for present abstinence. If all town-land were built upon as soon as any appreciable economic rent arose, the developments and improvements that would afterwards take place would necessitate the demolition of much of this property. The cost of all this would come from the public and would be a charge upon industry, so that, whatever the system of taxation may be, speculative industry imposes burdens which taxes cannot even lighten, much less remove.

When we remember that speculative industry means profit-making, it seems not a little remarkable that it should be deemed necessary to force, by the imposition of a tax, landowners or others to enter into industrial or commercial enterprise—if profits are to be made no such spur is necessary; if they are not to be made no amount of compulsion can avail.

After what has been said it will not be necessary to show that the revenue, which the State receives as the proceeds of this single-tax, cannot, under competitive conditions, be administered with any approach to equity.

That the wholesale confiscation contemplated by Henry George and his followers is actually possible, the authority

of John Stuart Mill is cited in the quotation: "A tax on rental falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else." The justification for such a policy of confiscation is, of course, to be found in the extremely unfair distribution of wealth as a result of the present system which is attributed to private property in land. It is, however, evident that if, in spite of its plausibility, this principle is not responsible for our industrial injustices, the policy of the single-tax proposal is to institute a system of State confiscation of the wealth of one class for the benefit of another, and this process might continue, dealing with one class after another, for an indefinite period without curing the root evil—to say nothing of the great danger of introducing as a process of State action a principle of morality which it is an important duty of the State to effectually repress in individuals, the stability of the State itself depending upon it.

This intent at spoliation contrasts, not only with the policy of purchase as proposed by the Land Nationalization advocate, but with the spirit of fairness displayed by John Stuart Mill himself in the very paragraph from which the passage just quoted is taken. "A peculiar tax on the income of any class," says he, "not balanced by taxes on other classes is a violation of justice, and amounts to a partial confiscation." Further, excepting from this charge of injustice "a tax which, sparing existing rents, should content itself with appropriating a portion of any future increase arising from the mere action of natural causes," he adds, "But even this could not be justly done, without offering as an alternative the market price of the land." Now these quotations, besides evincing a desire for justice in the basis of taxation, also imply that Mill himself could scarcely attach that sense of infallibility to the first quotation which it appears to have obtained in the mind of the single-taxer. At any rate there are reasons for doubting its truth while the present system of unorganized demand and supply obtains and competition is allowed to regulate our industrial relationships.

Reference has already been made to the tendency for the "nationalized" land to revert to present conditions. In the case of the process of taxing values up to the limit of economic rent, this reversion to present conditions would naturally take place collaterally with the increments of the tax imposed and the limit of economic rent could, therefore, never be reached in practice. Thus the intention of the single-tax proposal to confiscate the rent of the landowners as a class, however it might affect the individual, would be frustrated by economic laws. This does not alter the intent, but it suggests the utter futility of resorting, in the name of justice, to methods of avowed confiscation instead of to the organization of industry and the control of those economic forces which we, ourselves, set in motion.

CHAPTER X.

The Theory of Exchange Value.

ALL economists do not share the dismal view of Cairnes expressed in the passage already quoted, for they do not all attach the same importance to the wage-fund theory. As, however, the body of economic science is substantially the same for all shades of opinion, it may at least be said that orthodox political economy offers absolutely no guidance for that industrial reconstruction which is coming to be regarded, more and more, as an inevitable, and even imminent, development in the advance of civilization. Seeing then that the proposal, here made, seeks to implant within the industrial system such a principle of action as will eventually transform the whole system, some reference to the orthodox theory of value seems necessary the more clearly to illustrate the fundamental economic principles on which the scheme is based, while, at the same time, indicating certain departures from orthodox views therein involved.

In view of the failure of economic science, if not as an actual explanation of it, we may remind ourselves that the orthodox theory of value "contemplates a system of production carried on by capitalists for profit and not by labourers for subsistence" (J. S. Mill). This is the very system of production that naturally arises (if the view here adopted is correct) from unorganized expression of demand and consequent non-regulation of supply; and, as the existence of any other system than the competitive is not contemplated by the science, it would seem illogical to expect from it, in the way of guidance for reform, anything more than mere modifications and re-arrangements of the methods by which the competitive principle continually produces its baneful effects—this is, in fact, the actual net result of modern reforms.

Whilst labour is rightly regarded, by the orthodox theory, as creating exchange value, a standard of exchange based upon labour is not yet a feature of our industrial system. The play of economic forces actuated by competition has far greater influence in the adjustment of values than has any consideration of actual labour applied. This fact seems to be tacitly admitted by economic writers who, however, apparently regard it as so natural and proper a consequence of that system of profit making contemplated by their science as to call for no particular comment. Thus Adam Smith says, "Labour, therefore, is the real measure of the exchangeable value of all commodities. But though labour be the real measure of the exchangeable value of all commodities, it is not that by which their value is commonly estimated. It is often difficult to ascertain the proportion between two different quantities of labour. The time spent in two

different sorts of work will not always alone determine this proportion. The different degrees of hardship endured, and of ingenuity exercised, must likewise be taken into account. There may be more labour in an hour's hard work than in two hours' easy business; or in an hour's application to a trade which it cost ten years' labour to learn, than in a month's industry at an ordinary and obvious employment. But it is not easy to find any accurate measure either of hardship or ingenuity. In exchanging, indeed, the different productions of different sorts of labour for one another, some allowance is commonly made for both. It is adjusted, however, not by any accurate measure, but by the higgling and bargaining of the market, according to that sort of rough equality which, though not exact, is sufficient for carrying on the business of common life." In the same strain, Ricardo states: "The estimation in which different qualities of labour are held comes soon to be adjusted in the market with sufficient precision for all practical purposes and depends much on the comparative skill of the labourer and intensity of the labour performed. The scale when once formed is liable to little variation. If a day's labour of a working jeweller be more valuable than a day's labour of a common labourer, it has long ago been adjusted and placed in its proper position in the scale of value."

From the passages just quoted, it will be seen that the relative values of different classes of labour are regarded as having been adjusted not "by any accurate measure" but by the "higgling and bargaining of the market," or competition, which process is deemed sufficiently exact "for carrying on the business of common life" or ensures "sufficient precision for all practical purposes." That the system of competitive industry does not give the general satisfaction implied in these passages needs no proof in view of the generations of reforming effort that have been applied to its amendment, and this without appreciably modifying its general features as regards the distribution of wealth and the existence of its social and moral evils. The fact that the competitive system actually deprives the community of so large a portion of the produce of its labour in the creation of parasitic industries, does not seem to attract due attention; this is, no doubt, to be accounted for partly by the limits of the science already mentioned, such applications of labour not appearing to be of the nature of waste as they are absolutely necessary to the profit-making system, and partly by certain other old established views tending to support the prevalent theory of value. Thus, says Adam Smith: "The produce of labour constitutes the natural recompense or wages of labour. In that original state of things which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him. Had this state continued, the wages of labour would have augmented with

all those improvements in its productive powers, to which the division of labour gives occasion" ('Wealth of Nations,' Bk. I. ch. viii.). Then, again, there is the doctrine, apparently originating from the assumed error of the appropriation of land, of the dependence of "the demand for those who live by wages" on the "increase of the funds which are destined to the payment of wages" or the accumulation of capital. This would seem to be the early stage of the wage-fund theory which has developed with the growth of the science.

In dealing with the land question, an effort has been made to show that the appropriation of land and other natural objects is a necessity to modern industry and, in itself, no injustice. If the view there expressed is correct, the assumption that "the wages of labour would have augmented with all those improvements in its productive powers to which the division of labour gives occasion" is altogether unwarranted, because these improvements could not have come about without appropriation. But assuming that, in some way, industry could be conducted without appropriation, is it conceivable that, without an artificial organization of industry specially devised for the purpose, the industrial needs of millions of human beings blindly expressed would naturally assume a system of order and harmony, permitting of a just recompense of labour and, generally, social justice? Without such an organization there can be no doubt that the industrial struggle must continue to make social inequalities inevitable. On the other hand, even under present circumstances, the establishment of an adequate organization ensuring industrial equity would necessarily secure the reward of labour against both landlord and capitalist as well as against all other forms of privilege including any inherent in appropriation.

"The idea that there are certain funds "destined to the payment of wages," which underlies the wage-fund theory, would seem also to have had no small influence in shaping the theory of value. Thus, in summarizing his discussion of the theory of value, J. S. Mill says: "The temporary or market value of a thing depends on the demand and supply, rising as the demand rises, and falling as the supply rises.... Besides their temporary value, things have also a permanent or, as it may be called, a natural value to which the market value, after every variation, always tends to return; and the oscillations compensate for one another so that, on the average, commodities exchange at about their natural value." This theory assigns a very subordinate rôle to the forces of demand and supply—that of adjusting merely temporary fluctuations in value. It follows that the "permanent" or "natural" values are not regarded as depending upon demand and supply; that, in fact, the great bulk of industrial values after being once fixed by such processes as the "higgling of the market" are given permanency by a more or less rigid system beyond human

control, which allocates a certain amount of wealth to the labourers whether they be many or few. If labourers are few, wages are high because there are not so many to share the wage-fund; if many, wages are low because the same fund is distributed amongst a greater number. If by the accumulation of capital there is created a greater demand for labour, labourers are comparatively few, and wages rise: the rise in wages promotes marriages and a consequent increase of population and as this eventually means a greater number of wage-earners to share the wage-fund which called them into existence, wages are again lowered and the increase in population checked. Dealing with 'Systems of Equality' Malthus says:—

"It has appeared that from the inevitable laws of human nature some human beings will be exposed to want. These are the unhappy persons who, in the great lottery of life have drawn a blank....

"The fund appropriated to the maintenance of labour would be the aggregate quantity of food possessed by the owners of land beyond their own consumption. When the demands upon this fund were great and numerous it would naturally be divided into very small shares. Labour would be ill paid. Men would offer to work for a bare subsistence; and the rearing of families would be checked by sickness and misery. On the contrary, when this fund was increasing fast, when it was great in proportion to the number of claimants, it would be divided in much larger shares. No man would exchange his labour without receiving an ample quantity of food in return. Labourers would live in ease and comfort, and would consequently be able to rear a numerous and vigorous offspring.

"On the state of this fund, the happiness, or the degree of misery, prevailing among the lower classes of people in every known state at present chiefly depends; and on this happiness or degree of misery, depends principally the increase, stationariness, or decrease of population."—'Principle of Population,' Bk. III. chap. ii. p. 316.

The wage-fund theory and the question of population are thus intimately associated in economic thought, to which they probably impart between them the main grounds for the extreme pessimism attaching to the science. The work of Malthus on the 'Principle of Population,' in which he seeks to establish the truth of the doctrine of the tendency of population to outgrow its means of subsistence, or the pressure of population on its limits of subsistence, has exerted a powerful influence in the formation of that attitude of mind which seems to accept, as axiomatic, the orthodox view of the relation of population and economics.

The Malthusian theory is firmly held by a large section of the better educated classes to be the rock on which any scheme for dealing with poverty must come to grief. Being an apparently natural process not subject to human modification, the starving of people out of existence, though cruel, is accepted as the inevitable means of keeping population within bounds. A

person holding such a doctrine can scarcely be expected to entertain proposals for the abolition of poverty, though he may interest himself in schemes for the palliation of the misery attending it. The universal truth which Malthus seeks, in his renowned work, to establish would thus fully justify the extreme pessimism so generally entertained.

The conclusion which Malthus draws from the array of facts he has so assiduously collected seems to rest on an apparently unconscious mental transition by which certain phenomena attending modern competitive industry are attributed to the same cause as that which produces similar phenomena arising from the tendency of savage or semi-barbarous populations to outgrow the natural capacity of their country to produce sustenance. That a limited area of land cannot be made to produce the sustenance of an unlimited population, whether savage or civilized, is evident. An island inhabited by a barbarous race living on the fruits of the chase, wild vegetation, shell-fish, and the like, naturally cannot carry more than a certain maximum of population, and if this limit is exceeded, then starvation and the other miseries pointed out by Malthus ensue, until the population has been reduced within the limits of means of sustenance. This must obviously be equally true of a highly civilized community, where production is carried on by the most modern and up-to-date methods, for a limit is conceivable to the most productive forms of industry. In this case, however, we should surely have a state of affairs in which every available inch of ground was under intensive cultivation, the whole community working as long as their physical powers would permit, the absence of luxury and waste, and every imaginable saving practised. These latter conditions cannot be said to distinguish modern industry, for there is usually a margin of land uncultivated or under-cultivated, much labour unemployed, great luxury, and great waste; and even where starvation does occur it is not because of the shortness of food, but actually takes place in the midst of plenty. The recognition of these differences ought, one would think, to suggest that the explanation of the phenomena is certainly not to be found in the pressure of population on its means of subsistence.

Looking at the question from an everyday standpoint and considering certain facts with which we are all acquainted, we shall, perhaps, obtain a view more in accord with actual practice. Taking the birth-rate at 30 per thousand of population, and the death rate at 19 per thousand, the increase per annum per 1,000 of population would be 11. The 30 births, however, represent young children only, while the 19 deaths include older children and adults, so that the actual immediate extra demand made on the means of subsistence due to increase of population, in any one year, would not be represented by the actual excess in number of births over deaths, for one adult would certainly consume more than one or two newly born or very young children—very

probably there would be for the particular year taken, no greater demand made by the 30 youngsters than was made by the 19 persons who were included in the deaths. Let us suppose, however, that 5 of the young children represent the increased demand to a thousand of population; for a population of 40 millions this would represent an increase of 200,000. Every one knows how this extra population makes the demand on the means of subsistence. The mother of a child, whether she nurses it herself or not, makes extra demand on the dairyman, baker, butcher, and grocer, none of whom betray either disinclination or difficulty in supplying the demand so long as it is expressed through the intermediary of money or its equivalent. Nor are the merchants or manufacturers any less inclined to meet the extra demand accumulated in the hands of these tradesmen, regulating their works and the labour therein employed to meet all such increased demand.

Simple and commonplace as this statement may appear, it has the advantage of expressing well-known facts instead of mere speculations in economic mysteries. The importance of recognizing this truth lies in the fact that it proves the very opposite to the accepted Malthusian idea, that population tends to increase faster than the means of subsistence, for it is evident that, under modern civilized conditions, each increment of population makes itself felt on industry through the ordinary channels and that, therefore, the means of sustenance actually expands in proportion to, and by reason of, the increase of population. If this be so, then poverty is not to be attributed to the pressure of population on the means of subsistence.

The phenomena attending the pressure of population on its means of sustenance, as instanced by the growth of savage peoples, may also arise from the action of modern industrial competition; and if the latter is the true explanation of the phenomena, the application of any theory of value based upon the Malthusian doctrine will naturally aggravate the industrial problem.

As Adam Smith says, and every one else will admit, there is no "accurate measure" by which the values of labour can be adjusted. In the absence of any such standard of exchange value, it ought not, therefore, to be surprising that the level necessary for mere existence becomes, by reason of the inevitable industrial struggle, a pivot about which the wages of the masses oscillate, for this is a measure that all can understand and are bound to consider. The purport of these remarks is to show that, while labour is recognized as the basis of exchange value, the relative values of wealth are not adjusted by reference to the quantity of labour applied to its production, but are fixed by the operation of competitive forces; that, in the absence of any adequate measure of exchange and under pressure of competition, the level of the labourers' subsistence becomes a rough but inadequate measure, fixed by human necessity; and that

the orthodox theory of value is altogether incapable of serving as a practical guide in industrial processes.

A reconstructed industrial system must be based on an intelligible standard of exchange and a deliberate adjustment of labour values in place of the system in which values become the sport of blind economic forces. The conditions necessary to this new standard will now be considered.

CHAPTER XI.

A New Standard of Exchange.

If we go back in imagination to a time before appropriation took place and conceive a vast fertile continent inhabited by one man, we have a condition under which no exchange value can arise, because there is no one with whom exchanges can be made, and it would be immaterial whether the one man considered the continent his own private property or not. The land, the air, and the water would have a value in use only. Value in exchange could only come into existence when a second man came upon the scene, and then only when they were near enough together to enter into, and mutually disposed to enter into, some kind of reciprocal industry.

It is this industrial relationship, therefore, that necessitates the valuation of labour by some measure, accurate or inaccurate, as a basis of exchange.

Assuming that their tastes and consequent economic demands would follow the trend of actual past developments, these two men, entering into industrial relationship, would turn their attention to rough agricultural pursuits and primitive methods of industry. If one devoted his labour to the agricultural side and the other to the industrial, the equity of the case, measured by modern standards of fairness, would be met by each giving to the other half of his produce as a mutual exchange. Whatever the length of the day or the week, if they both worked the same time, the whole produce of each would be equal in value, because they would contain equivalent quantities of labour.

This, as Adam Smith would say, is "the natural recompense, or wages, of labour," and is a case in which the full produce goes to the labourer. The introduction of machinery, or other device for the abridgment of the processes of labour, would clearly benefit both equally, either by a reduction in the time devoted to the labour applied for the purpose of exchange or by an increase in the amount of produce, which is equivalent to a raising of the standard of living—or, it may be, a combination of both these benefits, that is, a higher standard of living as the result of less labour.

Now, in this hypothetical case, there are three implied conditions to the equity of the exchange that suggest the essential basis of a theory of exchange value which may find application to our present complicated system. These three conditions are: first, that for equal labour effort equal produce, or wages, is obtained; second, that demand and supply are directly adjusted; third, that, from an industrial standpoint, the producers are of an equal, or approximately equal, calibre.

That equal labour effort should be rewarded by equal produce or wages will no doubt find general acceptance as the only principle upon which a just distribution of wealth may be put into actual practice; for the standard of human morality is not at present, if it ever will be, so perfect as to make possible the application of the principle "from each according to his capacity, to each according to his needs," even if this could be shown to be the embodiment of justice. We have, of course, the application of the principle of "equal wages for equal effort" in operation at the present time, so far as the other conditions of our present system will permit it. Thus, the various grades of labour, especially when regulated by the action of unions, may be instanced as an approximation to this principle; each trade fixes its "standard rate," implying "equal wages for equal effort" as high as is possible under all the conflicting interests involved; but there is no tendency in this to bridge the gulfs between the various grades and equalize distribution generally. These sectional efforts to establish the principle must, from economic causes, as pointed out in dealing with the Labour Movement, fail as a general specific, for the other conditions which make it possible in our hypothetical case are wanting in general industry.

The second condition—the regulation of demand and supply—is one the absolute necessity of which has so far occupied a large share of our attention. The two men are engaged in producing the kinds and quantities of commodities which they know they both require, and, therefore, each knows that, although half of what he is producing is no use to himself, his labour is not being misapplied because the product is exchangeable for an equivalent of what he does require, and that there is no element of uncertainty or speculativeness in the transaction. The adjustment of supply to demand would be such a simple and obviously necessary matter that there could be no possibility of labour being applied to the production of wealth out of proportion to needs, or to the production of anything but what both knew would be required, and it would be altogether absurd to suppose that they could devote something like half of their labour to the production of what neither wanted, as is the case in actual industry.

In the complexity of the vast industrial system, the necessity of this adjustment is apparently not, at present, so obvious, although the results of this want of regulation are so conspicuous in the accumulation of commodities here, great shortage there, and recurring congestions and periods of unemployment in all directions. There have been suggestions for roughly regulating the production of certain branches of industry in accordance with the public demand expressed through the present competitive channels; such a regulation, however, does not go to the root of the system, and any advantages conferred by a greater regularity of employment upon the few affected would be at the

expense of others, without any tendency to the elimination of the many employments that are in their nature parasitic; many of these latter might, in fact, be regulated quite as readily by the same method with the consequent tendency to their perpetuation. From the considerations of an economic nature already advanced, it will be evident that where such regulation emanates from the State or Government it contains a peculiarly insidious danger to the masses of the people.

The regulation of demand and supply must, to effect any fundamental alteration, be of the nature indicated by our hypothetical case, where production is directed to meet only the directly expressed demands of the individual himself, and this implies the necessity for a definite organization by which the individually expressed demands in a modern society may be collected and serve as the index for production. The application of this principle to actual industrial processes is, therefore, an absolute necessity to the reorganization of the system. The economic forces of demand and supply can, and must, be under control.

The third condition—that the producers are, from an industrial standpoint, of equal, or approximately equal, calibre—will probably appear to many people as a condition impossible of application to modern industry, in which intellectual attainments, in varying degrees, are intimately associated with the application of labour to industry and commerce, and appear to be an important factor in determining the value of the physical labour of those that possess them. The prevalent idea that as there are mental and physical differences between individuals there must of necessity always be social and economic differences seems to sanction the view that our present competitive system is, in the main, only what is to be expected; and, our social ideals being coloured very largely by present-day conditions, the idea that intellectual advantages must always secure corresponding industrial advantages seems almost ineradicable. A state of society in which equality of intellect exists is, therefore, difficult to conceive. On the other hand, as a matter of abstract speculation, it would probably be readily admitted that the average intellect is, if given reasonable opportunity, susceptible of development to the higher level actually attained by those who have had the advantages of such opportunities, and that, therefore, if our industrial system could be so altered as to ensure these opportunities to all, and thus permit the development of the faculties of the intellect, these must tend to raise the intellectual standard of the whole community to the higher level. Fully developed intellectual faculties might thus, conceivably, become the common possession of all, and not subject to industrial exploitation.

A state of society in which class distinctions of economic origin exist cannot, in the nature of things, be permanent and stable. Even if, by any means, the harshness of the extremes

of misery and want could be appreciably and permanently softened, the privileges of those more favoured by the system must still rankle in the breasts of the dependent classes engendering that spirit of self-assertion which finds expression in political and other social activities tending to eliminate all class distinction. This self-assertion is, so far as it seeks to establish equality, both natural and right, if we take the view with which we started that the practice of the purely altruistic spirit is no more possible than that of the purely egoistic, and that there must be such a system of society as will permit the due expression of self as well as allow of due consideration for others. Under such a system it would be impossible for extreme selfishness to actuate social activities, and the giving of self for others would be uncalled for.

If the full development of man intellectually, as well as physically, is dependent upon a certain definite industrial mechanism, it is of the highest importance that the true relationship between intellectual and physical labour should be duly appreciated, for this relationship must necessarily be incorporated in the expedient by which all existing exchange values are to undergo gradual readjustment.

Under our present competitive system intellectual labour is apparently subject to the economic laws which regulate every other phase of industrial activity; and the orthodox theory of value which is deemed to be comprehensive enough for the whole economic régime, must obviously apply to the values arising from intellectual labour. Orthodox political economy teaches us that, to possess exchange value, an object must have "utility" and present some "difficulty of attainment." The term "utility" is here to be understood in a somewhat different sense than is associated with it in ordinary use; for these objects of "utility" must include all things, whether of a useful or harmful nature, to acquire which a person will give his labour or its equivalent. The values assigned by economic forces to the products of physical and mental labour consequently bear no necessary relationship to their intrinsic use value. Thus the labour applied to the production of a book, however useful from an educational or moral standpoint, but for which there is no "demand," is applied to an object possessing no "utility" in the economic sense, and therefore a thing of no value; on the other hand the same labour applied to the production of a book which appeals to the baser passions, and therefore morally harmful, is, if there be a demand for it, a thing of "utility" possessing value. In the same way, the services of a University Professor engaged in the teaching of error so flagrant as that the sun revolves round the earth, may be highly valued and able to command a lucrative post and high social distinction; whilst the services of the faddist who teaches a truth so evident as that the earth revolves round the sun may be absolutely worthless, meriting nothing less

than ostracism. In the same sense the great volume of parasitic wealth possesses utility and, therefore, exchange value.

The expression "difficulty of attainment" may be construed as meaning that some form of labour is necessary for the acquisition of the object in question:—

"What is bought with money or with goods, is purchased by labour, as much as what we acquire by the toil of our own body. That money, or those goods, indeed, save us this toil. They contain the value of a certain quantity of labour which we exchange for what is supposed at the time to contain the value of an equal quantity."—Adam Smith, 'Wealth of Nations,' Bk. I. chap. v.

Now while this statement may be near enough the truth as regards the actual production and distribution represented by nearly the whole of industry, it is also made to apply to the valuation of a class of wealth not producible by ordinary industrial methods and to the nature of which the exceptional products of the intellect seem to bear a certain affinity. Thus a distinction is recognized by economic writers between those commodities of which, like ancient sculptures, paintings by old masters, rare books, old coins, the supply cannot be increased, and those of which the supply may be increased indefinitely by the application of labour. The former are exceptional and are said to have a scarcity value which is regulated by "demand and supply"; the values of the latter, and much larger class, are regarded as being determined mainly by their cost of production, the variations in market price, above or below the natural cost value, and due to trade fluctuations, being adjusted by the operation of the law of "demand and supply." This distinction suggests that, notwithstanding the great care taken in the definition of terms, confusion is caused by the use of the expression "exchange value" to express two fundamentally different kinds of value. It may be right to describe the values of the commodities in the first, or exceptional, categories just mentioned as "exchange values" in the sense that they exchange for values expressed in the medium of exchange, but they evidently do not possess the labour-basis of exchange upon which the exchange values of industrial production rest. A great painting by an old master obviously could not be reproduced by any amount of labour, and the price paid for such a work of Art cannot therefore be taken as an indication of the quantity of labour it is supposed to contain, or the amount of toil it would save the purchaser. A rare work of art of this nature is priceless, and the value set upon such a work is to be regarded as no more than an index of the strength of the desire to possess it influencing the purchaser who could not, in innumerable cases, possibly produce such a work, or effect its production, by his whole life's labour; he can, however, exchange the wealth he has amassed, based on other people's labour, up to the limits of his possessions and, were he twice as wealthy, might give double the price. The principle of mutual

exchange of labour such as underlies, but fails to find adequate expression, through industrial processes cannot be said to exist in such transactions as these.

Now the exceptional products of the intellect are of the nature of these works of art and like them not susceptible of valuation by ordinary labour standards. Thus, in the case of an invention which confers great and permanent benefits on humanity, it would be physically impossible for the inventor to receive from future generations anything in the form of wealth in exchange for the product of his brain.

To secure inventors, artists, and writers some material benefits in return for their intellectual effort, patent laws and copyright laws have been devised for creating a limited and artificial exchange value in their products and adapting the same to the processes of industry and commerce. The necessity of granting to such mental workers what virtually amounts to a limited monopoly in their own production, is itself an evidence that nothing essentially of an exchange value naturally attaches to the more exceptional products of the intellect. These monopolies may, or may not, be the means of securing material reward for intellectual effort; great fortunes may be amassed in some cases within the prescribed time, while, in other cases, the utility of the product may not be appreciated until the monopoly has expired, when the intellectual product it protected becomes as free as the air and without exchange value. It may occur to some that a novel, of which the copyright has expired, being still "on the market" has an inherent exchange value. The exchange value in such a case, however, attaches not to the subject of the copyright or patent but to the material product of the physical labour—the book or the machine—in which they are embodied. This is exactly what takes place whenever the free physical agents are, by the application of labour, rendered more serviceable to society. Water is free; anyone may collect the rain as it falls and use it free of charge; but if we want it in the much more convenient form of a permanent water-supply installed in the home, we naturally have to pay for the labour value accumulated in the reservoir, mains, pipes, and taps. Air too is free: but if we wish to force it into the tyre of a motor-car or use it for the better ventilation of a mine, we must pay for the air-pump or ventilating machinery, because the labour applied to their production gives them exchange value.

The industrial system is, of course, carried on mainly by the exercise of ordinary, not extraordinary, intelligence and, assuming that the industrial system permitted general development so that all stood on about the same intellectual level, there could be no exchange value attached to the product of the intellect. This is the condition attaching to our hypothetical case in which the value is created by physical labour alone, the mental effort necessary being a common factor. The two

men might, by our present standards, be deemed dull or of great intelligence, but so long as they were intellectually equal, equal labour effort would be of the same value. It will no doubt occur to many people that absolute equality of intellect, even if all intellects have the opportunity to develop, is scarcely conceivable, and that there must be some slightly above and others slightly below the average, a condition which might presumably modify the results to be expected from our theory. In this respect it may be pointed out, in the first place, that if such differences in intellect, or differences in skill, were the only causes of the economic differences, and that industrial contrasts were only in proportion to the intellectual contrasts or differences in skill, we should have a sufficiently close, approximation to equality as to fully justify our expedient. If one man could do, either by reason of superior intelligence or skill, in six days, what it would take another man seven days to do, or even if one man could do the same work in half the time of another man, these differences would not account for the great extremes of wealth distribution associated with our present system in which, at one extreme, there are those that can barely earn a living, while others, at the other extreme, can roll in luxury. It may reasonably be concluded, therefore, that, at the very most, such slight advantages in intellect could only result in correspondingly slight industrial advantages. In the second place, however, if we are to judge by present tendencies, such a condition would practically amount to absolute equality. Amongst large classes of labour which are regarded as industrially equal there are, even now, on the same bench or at the same desk, individuals of unequal calibre, who, while being paid as of equal value, turn out a little more or a little less than the average. We have even superior men occupying subordinate positions, and the probability is that if the great industrial system could be made to yield anything like its capacity to the individual any difference due to intellect or skill would be comparatively insignificant.

The remarks here made with regard to the intellectual factor assumes the correctness of the popular view as to intellectual differences; the real truth may be that these differences are not so great as is popularly supposed, and it should be remembered that it is largely a question of intellect being its own judge.

That labour is the basis of exchange value in the sense that it creates this value is quite true, but in the sense that it is the basis of a labour measure of value it is not true. Were labour the standard of exchange value, the real value of a commodity should vary with the amount of labour it embodies, whereas, under present conditions, the most laborious work is of the least value; moreover labour, being subject to the unrestricted action of economic forces, acquires, like commodities, a natural value (in the sense of the economists) and, like them,

risers and falls above and below this natural value under the influence of demand and supply. Thus the value of labour itself becomes subject to the complex action of blind economic forces, and the actual producing power of labour consequently bears no direct connection with the value of the commodity to which it has been applied.

The institution of a standard of exchange value based upon labour would mean that the labour of one man would be exchanged for an equal amount of labour of another man without deduction for parasitic wealth, and the many forms of waste that go to make up the great industrial burden. It would mean that a man could secure the full reward, or wages, of his labour and increasing real wages would be synonymous with an increased portion of real wealth. Two men, in a primitive condition of society, exchanging the products of equal quantities of labour would not, of course, be able to live in luxury; but, assuming that they retained the labour-standard of exchange through the whole course of progressive industry, the immense advantages which modern methods make possible could not be diverted into other channels leaving the two producers substantially in their primitive condition. Preserving the principle of equal labour effort in the exchange, and both adopting the improved methods which science and mechanical genius have conferred upon modern society, the result would obviously be an enormous increase of their individual wealth or wages. The contrast between the "wages of labour" in the primitive condition and the "wages of labour" in the improved condition suggests the fabulous loss which modern society suffers through an inadequate system that allows blind economic forces to regulate our industrial activities.

Unless an alteration of the industrial system can be made which will produce a more equitable distribution of wealth or, in other words, a very considerable increase in the real wages of the masses of the people, the industrial outlook is as hopeless as it ever was. The following quotation from Ricardo's 'Political Economy,' involving the "circulus in probando," may perhaps serve to enforce the hopelessness of the economic outlook, so far as the orthodox economists are concerned, for it seems to flavour of absolute impotence:—

"Thus then, with every improvement of society, with every increase in its capital, the market wages of labour will rise; but the permanence of their rise will depend on the question whether the natural price of labour has also risen; and this again will depend on the rise in natural price of those necessaries on which the wages of labour are expended."—'On Wages,' chap. v.

As the value of these necessaries "on which the wages of labour are expended" are themselves dependent upon labour, the argument may be appropriately compared to an economic pussy running after its own tail. The seriousness of the situation may, perhaps, be more clearly realized by reflecting that the

actual reforming activities of modern society, so far as they relate to economic problems, amount to no more than this amusing feline operation.

The institution of a labour standard of exchange seems an absolute necessity as a basis for a reconstituted industrial system. The conditions of such a labour standard have here been formulated and considered; its application to our present industrial system is to be effected by the expedient of an Industrial Counterpoise.

CHAPTER XII.

The Industrial Counterpoise.

THE present speculative system, actuated by blind economic forces, cannot, as our theoretical considerations show, and as actual experience indubitably proves, be altered, or even appreciably modified, by the application of any number of reforms which leave the speculative element dominant. The result of such reforms amounts to no more than a mere shifting of the incidence of poverty and wealth, and leaves competition, in the main, free to shape the general features of industry so familiar in the extremes of prodigious wealth and stupendous poverty, with its concomitants, misery, depravity, physical and mental agony, and those conditions which foster the growth of the spirit of enmity and stifle the spirit of amity. The satisfactory solution of the industrial problem depends, then, upon the introduction of an effective regulating principle that will substitute order and certainty for speculation and uncertainty. Such a regulating principle forms the basis of the new standard of exchange which the proposal now to be explained seeks to apply to industry.

The evolutionary process consists, as we have seen, in the continual adaptation of innovations, or new departures, which will make the thing in question different to what it was before. It is not enough to develop a new principle or idea; the evolutionary step is not complete until such principle, or idea, has been introduced into the organism by such a suitable modification of its parts as will permit the full exercise of the new functions and eventual complete assimilation. Ideas of flying-machines have long exercised our imagination; the machine itself, however, has evolved only as the mechanical means have been devised for the practical application of those ideas and theories, the success of which, it may be noted, is largely due to experiment. So, in the domain of sociology, social ideals and theories are abundant; but society does not evolve in accordance with these ideas and theories until such alterations of social structure have been made as will permit their practical application and assimilation.

Now the conditions enunciated in our new standard of exchange may, or may not, constitute a new idea in itself, but the combination would be new to the industrial system, and its adoption as the regulating principle would thus constitute a new departure, an industrial innovation. The question that will mainly concern us now, therefore, is the means by which the theory is to be practically applied to existing industrial institutions with a sufficiently detailed consideration of the structural alterations thereby necessitated to enable us to adequately estimate the broad results that must follow.

Our new standard of exchange implies the centralized control of the complete industrial process as applied to a community of producers and consumers of equal industrial calibre. This further implies an industrial organization designed to attain the definite end contemplated, which means that the industrial operations of production, distribution, and exchange must be under centralized control, and that the organization must include the systematic centralizing of economic "demand," so that production and distribution may be directed accordingly.

A complete transformation of the industrial system, at one stroke, either on this or any other principle is, of course, beyond the power of any man or of any body of men. The immediate transference of one half of the working population from their present wasteful occupations to productive occupations would alone involve innumerable and far-reaching changes, the extent and direction of which it would be impossible to foresee in the absence of any effective means of gauging the new "demands" that alone could dictate the channels into which industry should be turned. The distinction of classes, too, would be an insuperable obstacle to the equitable adjustment of social relationships. This transformation must come so gradually that dislocations of industry as well as the clashing of incongruous social, or intellectual, elements will not occur. Although, then, our new standard of exchange cannot be applied so as to reorganize the whole system directly, it can be applied to the organization of a portion of industry limited to the lowest grade of labour, and be made to act indirectly upon all industry on the principle of a counterpoise. This, as we shall endeavour to show, would accomplish the double purpose of regulating industry, by preventing extreme fluctuation, and fixing the minimum standards of wages and working conditions that could operate anywhere.

The Industrial Counterpoise will, therefore, take the form of a State organization of industry which, while open to the whole State, is designed to deal with one grade of labour and that the lowest. The separation (by the device to be explained) from general industry of this lowest grade of labour upon which to rear the new organization thus incorporates the third condition of our new standard of exchange requiring a class of labour of approximately equal industrial calibre.

Needless to say the State would have to provide the necessary capital, and lay it out in the lands, buildings, machinery, implements, necessary for carrying on the various industries to which the particular class of labour could be applied, as well as in stocks of food, clothing, &c., with which to commence operations. Agriculture and horticulture would, no doubt, occupy a position of importance in the scheme of industries, and while, at the outset, the application of the labour would be largely determined by the labour offering itself for organization, future applications would be made in accordance with the

"demands" expressed through the specially devised channel. The location of the industries would naturally be made with a view to public convenience so that they might be accessible to the whole community. The distributive side of the organization would be represented by retail stores into which the products of the labour would be received for distribution amongst the workers. The whole would be under the control of a Central Authority responsible to Parliament.

The industry organized under this scheme would be applied to the production and distribution, directly or indirectly, of the necessities and luxuries required by the workers under the State organization, not for sale on the open market. The provision of public work for the unemployed and poor is, of course, no innovation; but the employment of labour, whether as relief work or not, in the production of commodities for sale on the open market can have no other effect than the displacement of labour elsewhere without even a tendency to reduce the normal percentage of unemployment and poverty. That this fact was recognized two hundred years ago is evinced by the words of Defoe: "If they will employ the poor in some manufacture which was not made in England before, then they offer at something extraordinary. But to set poor people at work on the same thing that other poor people were employed on before, and at the same time not increase the consumption, is giving to one what you take away from another, putting a vagabond in an honest man's employment, and putting diligence on the tenters to find out some other work to maintain his family." The expression of Defoe "and at the same time not increase the consumption" seems to suggest a vague recognition of the fact that for this extra "supply" there ought also to be an extra "demand" to balance it.

The labour under the new organization here contemplated would, therefore, be directed so as to produce only in accordance with the expressed "demand" of those employed, which "demand" would be centralized in the hands of the Central Authority for this purpose. The greater the "demand" the greater the volume of industry. With this direct adjustment there could be no possibility of a speculative production taking place to disorganize labour.

It has been stated that the industrial organization would be designed for one grade of labour, and this the lowest. The demarcation of this grade would be determined by the initial wage fixed upon for the State Industries. The fixing of the initial wage, when commencing operations, would be one of the most important matters to be considered, for the State Industries would be open to all who could not find employment in private industry at a higher wage than the one ruling in the State industries for the time being, and it follows, therefore, that the higher it was placed the greater the attraction to labour. The initial wage must thus be fixed arbitrarily without regard

to the actual value of the labour, and must be fixed so low as to attract only labour in manageable quantities, for an influx of labour in quantities that could not be properly organized would only lead to disaster. While the initial wage could be fixed as high as considerations of safety and efficient organization would permit, it would be better to err, if at all, on the side of lowness, for, after all, the initial wage would only be a temporary one, and would in due course be based upon the actual value of the produce of the labour, rising gradually and permanently with the increased efficiency of the labour and of the organization.

Whatever the initial wage might be, it would be paid to all alike, men and women, who would thus be, for all practical purposes, of equal industrial value, for they would come mainly from the grade of lowest industrial efficiency.

With regard to the condition of our new standard of exchange that "demand" and "supply" be under control, and consequently intelligently adjusted, it is obvious that if the employees at the State industries were paid in the ordinary currency, they could spend their earnings wherever they pleased, and the "demands" thus expressed would go through the usual competitive channels. The Central Authority of the State industries would consequently have no guarantee that the "demands" necessary to the proper organization of the labour would reach them. To obviate this, and to concentrate "demand" automatically in the hands of the Central Authority, payment of wages would be made, not in current coin, but in a special paper money. This paper would be of the same denomination as coin—pounds, shillings, and pence, or dollars and cents, as the case may be—and would have the condition attached to it that it be presented at the State Stores in exchange for goods within a certain time. To ensure employment it is only reasonable that the State should require, in return, the "custom" or "demands" of those employed, so that for every pound or dollar paid away in labour, it would receive the demand for a pound or dollar's worth of the produce of such labour. The paper-money is simply the device for effecting this. In paper-using countries this innovation of a special paper money will not appear so great a novelty as it does in the British Isles, where paper money, so far as the great masses are concerned, is an altogether unfamiliar medium of exchange. British Postal Orders which range in amount from sixpence to a guinea and to which a time limit is attached, although designed for a special purpose, approach very closely to a paper money, and do actually perform the function of money to a considerable extent; this fact should tend to moderate any extreme prejudice which such an innovation might excite in this country.

An important function of the paper money would also be the virtual separation of State from other workers for industrial

purposes without an actual social segregation. The expedient of the "colony," requiring the separation and isolation of part of the community, can scarcely be expected to adapt itself to modern industrial conditions, and could never, therefore, become a permanent institution. The expedient of the paper money does away with any necessity for colony barriers; the industries could be established in and around other centres of industry, and the State workers could live mingled in the general population, without any outward distinction.

The new currency would be quite sufficient to separate one industry from the other and the "colony" idea is, therefore, altogether foreign to the present proposal.

The special paper money would naturally circulate to a small extent with the coin of the realm forming a double currency by the interchange of which the State industries would be brought into a more intimate relationship with general industry. This interchangeability, though so limited in scope, would appreciably mitigate the harshness that must, at the outset, necessarily attend the restrictions imposed upon the State workers by the use of the paper money.

The wages of those employed at the State industries would, as already stated, be paid in a currency of the same denomination as the existing monetary medium—the pound or dollar—and gold would, therefore, still remain the monetary standard. The goods produced in the State industries and distributed through the Stores would, consequently, be priced in the same denomination, to this extent adapting the new industrial organization to actual industrial conditions.

In one important particular, the process within the State Stores would be totally unlike the process in general industry. Whereas in ordinary industry, the retail prices are based mainly upon the cost of production, the prices in the State industries would have no reference to their cost of production. The goods would, in fact, be priced at the values ruling, for the time being, in private industry for similar articles. The main reason for this is that the object of the whole scheme requires the establishment of new exchange values based upon the actual producing power of labour; this cannot be accomplished by merely reckoning the cost of production, in the usual way, because all present labour cost is based upon the values as fixed by competitive conditions which divert labour into unproductive channels. To what extent labour is thus deprived of its reasonable recompense cannot be determined until the means have been devised for the direct application of labour to actual, as opposed to parasitic, wealth production, and this expedient must necessarily eliminate all wasteful applications of labour. The value of the wealth produced by this new industrial organization would thus be appraised at already existing rates.

The labour at the State industries being applied only to the production of real wealth which is supplied to the producers

themselves at the full retail value, instead of being sold to merchants and middlemen at a greatly reduced price, the workers at the State industries receive the full value of their labour without deduction for the upkeep of wasteful or parasitic industry. The amount per head of the wealth produced can only be ascertained when it has been actually valued by current prices, and these are consequently the prices at which it is supplied at the State Stores in exchange only for the special paper money.

It has been said that the initial wage, fixed arbitrarily, would be only temporary. The method of appraising the value of the wealth created, just explained, will make the reason of this clear, for there can be no certain means of valuing the productive power of the labour until the produce of that labour has been valued.

The products of the State industries would be valued periodically—quarterly or half-yearly as might be found necessary—and the initial wage would, therefore, be operative only until the periodical valuation had shown that the average wealth created exceeded this initial wage, when the latter would be increased to the higher figure.

The valuation of the actual wealth created would also be the basis for future increases of the wage. The class of labour employed at the commencement would be the least efficient, and may, therefore, be expected to produce a comparatively small wage or average amount of wealth. But the training of the labour, and the increased efficiency resulting from regular employment and improved organization, with the increased use of machinery, must produce a constant tendency to the increase of the aggregate wealth. As the average wealth-value per head increases, the periodical valuation will show it, and the wage must be increased by the issue of additional paper money to cover it; for, unless this is done there will be a certain amount of wealth on hand in the Stores which would never be distributed. Thus the wage, when once fixed, increases automatically with the increase of wealth produced.

It may be noted, too, that this wage would form a minimum below which labour could not be forced, even in private industry, for the State Industries would be open to all who could not do better elsewhere. It, therefore, becomes a National Minimum Wage on an economic basis, possessing an inherent tendency to rise with increasing productive capacity, driving up wages in private industry before it. The successive increments of the minimum wage, taking place at intervals, would allow time for the adaptation of industrial conditions to the new wage; the changes consequent on the adoption of the industrial counterpoise would, therefore, come about gradually and all risk of sudden dislocations avoided.

The adjustments of the new relationships that must inevitably arise between the workers at the State Industries

would be a matter of comparatively little difficulty owing to the workers consisting of mainly one grade of labour, and would resolve itself largely into a system of accountancy by which the daily or weekly output per head in the many different occupations would be so recorded as to form reliable data for fixing equivalent labour effort as between the various industries.

The principle operating within the State organization is, obviously, the opposite of the competitive principle actuating industry outside, for, although the State industries would be conducted outwardly on similar lines, the aggregate wealth produced comes to be equally divided amongst the producers through the particular method of payment; the principle of mutual co-operation is therefore embedded in the system, although the workers themselves need not be directly cognisant of it. Those working at the State Industries would, in fact, have no more to do with the carrying out of the mutually co-operative principle than workers have in carrying out the competitive principle in private industry; the two counter-acting principles would both alike actuate their respective systems without any conscious participation on the part of the workers themselves.

It will, no doubt, occur to many people that those employed at the State industries would not be able to produce everything they required, especially foreign products such as tea, coffee, rice and oranges. For all such commodities it will be necessary to send abroad, in exchange, a certain amount of the produce of the State industries. In other words, a certain proportion of the produce must be sold on the open market and, with the proceeds of the sale, the necessary foreign produce obtained for distribution amongst the workers.

These dealings with private industry may, perhaps, appear to be a departure from the main principle of the scheme. This is not so, however, if the State industries are treated as a unit in the transactions, and the whole of this business done by the Central Authority. This Authority would not, of course, be actuated by the same commercial spirit as prevails in industry generally; it would not be in the position of having to obtain "orders" to keep the works going and profits up, nor of being compelled to offer goods at a lower price to undercut. Nevertheless, the placing of goods on the open market and the taking of goods off would have, in themselves, similar effects to the same transactions made by private traders. In every deal, however, with private industry, there would take place two transactions having equal and opposite tendencies. The placing of goods on the market would have the tendency to lower the price of the articles in question; but, for every pound's worth of goods placed on the market, there would be a pound's worth taken off, and the tendency of the latter would be to raise the price of the articles affected. Thus, the two tendencies counter-act each other with regard to their total effect on the market.

There is, however, a third element to take into consideration in the National Minimum Wage which would set a limit to any downward tendency of wages, whether from fluctuations consequent on these transactions or any others, and any variations in price due to such fluctuations would be reflected in the prices at the State Stores. As, however, these dealings on the open market would be done with regularity, and private industry would naturally adapt itself to meet them, there could, eventually be no fluctuations from this source, serious enough to throw men out of work or alter prices. The economic effect of these Exchanges with private industry may be more clearly illustrated by reference to the human industrial unit or individual; so long as a man has, in his own possession, sufficient land and tools to enable him to provide himself, under any circumstances, with all he needs, he could make any exchanges with others that he might find advantageous to himself, and certainly without fear of creating competition within himself as he himself is indivisible. In the same way the State industries, treated as an indivisible unit, could make these dealings to advantage.

The idea of an Industrial Counterpoise naturally implies a permanent working connection with the existing system, and not a complete substitution of it or of an isolated organization unconnected with it.

As the free action of the industrial mechanism will contribute to the efficiency of the dual system, it is important that every point of contact should be as close as possible and the adjustments, due to industrial changes, allowed the greatest facilities. The importance of this will be seen when we reflect that the continual upward advance of the Minimum Wage would involve a continuous process of alteration in prices in private and State industry, infinite variations, adjustments and readjustments. There should consequently be no obstacle imposed to the free movement of labour to and from the State Industries. Any labour trained there and eventually able to command more than the minimum wage in private industry would be free to go, subject, it might be, to a customary notice for certain skilled trades; any less efficient labour squeezed out of private industry would be equally entitled to employment at the State industries, and might receive training in another skilled department. The average wealth production of the State industries, and therefore the minimum wage, would consequently be the result of the activities of a body of labour in which these movements were regularly taking place.

The main regulating influence of the "Industrial Counterpoise" on the whole system would be exerted through the gradual raising of the minimum wage, which would virtually amount to a nearer and nearer approach to an equitable division of wealth throughout industry, both State and private. There being no surplus unemployed labour, and wages being at a high

level, private industry could not be conducted, as now, by the engagement and dismissal of thousands of workmen at short notice. Private industry would, therefore have to be run with greater regularity, and the extreme fluctuations associated with unrestricted competition would be gradually reduced, the scope of the speculative element, even in private industry, growing less and less with the expansion of the State industries. The direct control of "demand and supply" within the State organization would thus effect an indirect control of "demand and supply" in private industry, for the individual "demand and supply" in this sphere would naturally come to be expressed in reference to the economic conditions brought about by the establishment of the minimum wage involving a readjustment of prices to it. This means that the new system would itself ensure the rights of all workers, State or private, making it impossible to give expression to economic demand excepting under conditions which would automatically safeguard the rights and interests of others. Thus the system which unconsciously engenders industrial strife and enmity would be gradually transformed to one which, equally unconsciously, permits the exercise of industrial co-operation and the practice of the spirit of amity.

This, then, is the scheme in outline, by which it is proposed to systematize industry so that the human factor, for whom it is ostensibly conducted, may be raised from the insignificant and humiliating position in which conflicting competitive forces place him to his rightful importance as the main factor in industry. It is based upon the new labour standard of value incorporating the three conditions: (1) equal value for equal labour effort, as between (2) workers of the same calibre whose labour is (3) controlled for the direct adjustment of demand and supply.

The main parts of the scheme will now be considered in rather more detail.

CHAPTER XIII.

The Double Currency.

It will be evident that the proposal just outlined does not contemplate the substitution of the present metal currency by the new paper, but the co-existence and interchange of the two currencies so as to secure the harmonious working of the dual system of industry. The fact that both paper and coin of the same denomination represent equivalent values makes this interchange a quite natural operation within the limits indicated.

Besides the function of separating a certain amount of industry from general industry, and concentrating it in the hands of the controlling authority, the paper money also preserves intact the free expression of economic demand. Our present industrial system is based upon this freedom of individual expression, which is facilitated, so far as money is used for the purpose, by our present system of coinage; the new currency would exercise exactly the same functions, thus adapting itself to a condition to which any innovation must conform to be of any practical value. It may be well, perhaps, to point out here the distinction between that freedom of economic expression, which we must regard as necessary to complete personal liberty, and that blind expression of demand which is the source of those influences making for the many forms of human bondage. It is possible and reasonable to give expression to our industrial needs according to our own personal inclinations without reference to others; but it is also possible, and just as reasonable, that, having expressed our demands, these demands should be systematically collected and intelligently organized to our mutual benefit.

The importance of this function of the new currency may be more clearly realized by contrasting the proposed State industries with a communistic society in which the wants of the community are gauged by some paternal authority; this authority directs production and distribution in accordance with the standards of living and morality and general conditions imposed by itself, and not in accordance with the individually expressed demands. Such an order of society, by repressing individuality would, as actual experiments seem to show, be inherently incapable of general progress, and could only be held together by some strong religious bond requiring the subordination of temporal aspirations to the particular religious ideal. In the state of society with which we have to deal there is no common religious bond, but, on the other hand, a diversity of religious, as well as of moral, ideals and great differences in moral character. Industry, however, is, in the main, a common social necessity and, just as no distinction is made under the competitive system between religions or morals, so our new

organization must confine itself to the economic problem, and this is made possible by retaining the principle of free economic expression. Emphasis is laid on this point because it is so often the case that even those who are ardent inquirers for economic truth and especially for the solution of the problem of poverty, are prone to jump to the conclusion, from a superficial examination of the proposal, that it amounts to nothing more than another form of the communistic colony, not discerning the fundamental distinction.

The special paper money must, as already stated, have a time limit attached to it, so that it will be presented at the State Stores within a certain time in exchange for goods. As this time-limit would naturally have to be plainly shown on the money itself, paper would seem to be by far more adaptable for the purpose than metal or other material. The necessity for this time-limit will be evident when we consider that, without such limit, the paper might remain in circulation indefinitely. The State would be liable for the full face value of the money at any time and must, therefore, to be on a financially sound basis always possess a stock of goods at least equal in value to the total amount of paper in circulation. If this paper were allowed to circulate for a number of years, the State Authority could not possibly meet this requirement, for it would be impossible to so regulate production as to always have on hand in the form of goods this full face value of all the paper in circulation. Unless the time-limit were rigorously adhered to, production must, in the absence of a systematic expression of "demand," be directed to the accumulation of stocks in anticipation of probable demands, and the State would have to undertake the risks of depreciation of stock, of over-production in certain lines, and under-production in others, which means the reappearance of the speculative element, the very thing it is our aim to stamp out. The time-limit is the device by which the paper is made to perform its function with certainty and regularity, and means that the State workers cannot accumulate goods at the risk of the State, but must make their definite "demands" to complete the reciprocal transaction, for "supply" or production cannot be controlled with the necessary accuracy without the corresponding "demand" being directly expressed, and as all workers are dependent upon each other's "demand" it is indispensable that this be made absolutely automatic.

In fixing the minimum wage low an important object in view is to prevent too great a rush of labour from private industry, and the conditions generally attaching to the State industries should be such as to create the permanent tendency of labour to flow, not from private to State industry, but from the State industries to private industry; the conditions under the State industries should, therefore, be less desirable than those in private industry. These conditions naturally arise

from the working of the new system. It is, perhaps, needless to say that, by making the conditions under the State industries less desirable than under private industry, there is no idea of inferiority to present industrial conditions, which it is the object of the Scheme, indeed, to transform. The conditions under both State and private industry may be vastly superior to present industrial conditions, and yet there may be a difference in favour of private industry. Conceivably, developments may result in a dual system in which the conditions existing under both State and private industry may be approximately the same; this would mean a state of industry in which a close approximation to an equitable distribution of wealth would be attained, and rendered permanent, by the action of the Counterpoise.

The restrictions attached to the paper money is a device which makes employment at the State industries less attractive, other things being equal, than employment in private industry because the paper money, especially at the outset, would be less convenient than coin for general purposes, and this would also tend to restrict the amount of paper circulating with coin. Notwithstanding the drawbacks attached to the paper, it would serve an important function in bringing within reach of the State employees certain conveniences not otherwise accessible. Those of the public who might accommodate State employees by giving them coin in exchange for paper would have to present the latter within the time-limit at the State Stores in exchange for goods, and thus the automatic centralization of "demand" would still be effective. As the prices of commodities at the State Stores would be similar to those in private industry, accommodations of this nature to State employees would not, of course, involve any material sacrifice, but there would naturally be a disinclination to exchange coin for paper to a considerable extent, because this would restrict the freedom of those parting with coin. It will be seen, therefore, that, for the purpose of a week-end trip or other purpose not provided for by the State industries, the limited interchange of coin and paper would serve a useful and necessary function adapting the Industrial Counterpoise to a freer action and, therefore, effecting a closer union with the present system.

The paper money here contemplated is, clearly, backed by actual wealth value accumulated in the State Stores and not, as other forms of paper money, by Government, or other credit. The main function of the paper is concentration of demand but there could and, possibly, soon would take place modifications which would, while dispensing with part of the paper preserve its function intact.

Thus payment in full of the employees in paper which would be immediately handed back again in exchange for goods must soon appear an unnecessary process, and might, with

advantage, give way to a method equally serviceable and familiar to business intercourse. This is the method of accounting. Each employee could have an account with the State industries in which he would be credited with his earnings. He could then send his weekly order to the State Stores which would be debited against his account and, if there still remained a balance to his credit, he could receive this or a portion of it in paper money. So long as he had a credit balance he could, of course, draw on it either in goods or in paper money as he wished. A necessary regulation to make in this case would, however, be that no account should exceed a certain limit, and this limit, while commencing low, could be raised as might be found practicable without risking the loss of control of "demand and supply." It is obvious that, if employees were afforded facilities for the accumulation of wealth at the State industries and thereby induced to practise abstinence under the impression that they might in this way accumulate capital for investment in profit-making industry, the large aggregate accumulations would again introduce the speculative element and so frustrate the object of the Counterpoise. The scheme, of course, does afford the facilities for the creation, and, therefore, of indefinite accumulation, of wealth, but this accumulation must take place mainly outside the State organization where it is at the employee's sole risk. A certain amount of accumulation is, of course necessary within the State organization, for there should be in the hands of the State at least several weeks' supply for those employed; this margin would have to be kept within manageable bounds and subordinated to the control of "demand and supply." Whenever an employee's balance approached the regulation limit it would be obligatory on his part to reduce it by making purchases, which is equivalent to saying that he must choose the particular form of wealth that he intends his labour to assume and take it into his own possession. In this way State employees may surround themselves with wealth, in variety, in accordance with their tastes and industry. The margin of accumulation permitted at the State Stores would render possible some of the more costly luxuries; thus an employee might allow his balance to increase until, say, he could purchase a piano, or, if he had a natural bent for science, a more costly piece of scientific apparatus. This wealth once in the individual's own possession is entirely at his own risk; but under the new conditions brought into existence the risk of variation in value would be minimized, and the probability is that the purchase price of this description of wealth would, barring depreciation from use, remain its exchange value with approximate permanency, because the exchange value of labour would be fixed and not, therefore, liable to such fluctuations as we now experience. The cost of production being, thus, to all intents and purposes, free from fluctuation, the values of all forms of wealth would be liable to little variation.

Here reference may be made to an objection that is sometimes raised against the scheme, *i.e.*, that the paper money, or notes as some people prefer to call them, would become the objects of barter—that the State employees would sell their paper for less than the face value, and that this practice must necessarily lead to the products of the State industries becoming, like all commodities at present, subject to competitive laws, so vitiating the whole scheme. This plausible objection assumes the continuance of the very principle of economic action which it is the aim of the Industrial Counterpoise to eliminate; it is probably due to the difficulty of conceiving any other economic process than that with which we are so familiar. It may be said, with regard to the present system, that people do not sacrifice their possessions willingly, and that wherever such a sacrifice has to be made (exceptional cases apart) it is owing to economic pressure or the operation of the competitive system; if this economic pressure be removed it is surely only reasonable to expect the disappearance of its consequences. It is, of course, quite possible to imagine cases even under the new system where a sacrifice of this nature is worth making, but this would not be as a result of economic pressure, because the State industries guarantee regular employment and, eventually, a higher wage than can be secured under the present system. While, therefore, one may easily imagine that for some special and immediate purpose a State employee might be willing to sell his paper for less than its value, as a general practice, it is altogether at variance with his self-interest, which will still largely influence his actions. It involves, also, no stretch of imagination to predict that, in the absence of the necessity to take every advantage that offers, the spirit of amity may so animate the holders of coin as to decline any consideration for an accommodation which really costs them nothing.

Exactly the same objection may be raised against the actual wealth distributed. We may see visions of the State workers expending their labour and acquiring wealth in the form of necessities and luxuries and then buying and selling one another's goods for the sake of profit. The bulk of the people, however, work to acquire, even now, as good a living as they can, and purchase those necessities and luxuries that they desire for actual consumption, not for trading purposes; the mere change from private to State industry would not alter this. And, as we have just seen, the element of competition which forces people into such conditions as make it necessary to sell their goods for less than the cost and induces others to buy in hopes of gain, is not operative. Seeing, then, that the values would remain substantially the same because the goods cannot be produced for less than a certain amount and may always be had for this amount, there is no scope for the play of that speculative element always on the look out for profits, of which there would be practically none to be made. The

State workers would, therefore, apply their labour to the acquisition of consumable wealth and not of capital that would be of no use to them.

The gradual extension of the State industries, with a corresponding increase of the amount of paper circulating with coin, would in time so familiarize the double currency, and the dual system it represents, that its working would become no less natural, but much more beneficent, than is the present single competitive régime.

Reference has already been made to the fact that modifications in the use of paper money are to be expected, and the change instanced as a probable one suggests a general tendency that may be set up affecting both currencies equally. If developments are such as to make the use of paper money less convenient than accountancy and the transference of value by cheque or similar process, it is only natural that the money should fall into disuse. It is to be remarked, however, that the same effect would be produced upon the metal coinage for, if the more convenient method could be used in one part of the system it could be used in the other, and the method of accountancy would therefore, extend to private industry. This means that the advance of the minimum wage would result in the gradual raising of the economic status of the masses of the people to the position of those who now find it more convenient to transact their business almost entirely without the intermediary of money.

If this tendency eventuated, it would presumably lead to that ideal entertained by many people of a state of society in which money did not exist; and the Industrial Counterpoise would, thus, be unconsciously giving practical expression to another ideal, though the notion of community of goods, often coupled with this ideal, would, of course, be absent.

CHAPTER XIV.

The Minimum Wage.

THE consideration of the Minimum Wage to be fixed under this proposal naturally divides itself under two heads—the initial, or tentative, wage decided upon arbitrarily, and the permanent minimum wage based upon the actual productive capacity of the new industrial organization.

There being no data upon which to estimate the producing power of the labour first employed, the initial wage must necessarily be fixed in an arbitrary manner, but with due regard to other considerations of which the most important is the fact that the State industries would be open to all who could not find better conditions as to wage and hours of labour in private industry; the more attractive the initial conditions were made, the greater the volume of labour to organize.

In accordance with the new standard of exchange, only one grade of labour will be employed at the State industries and this must necessarily be the lowest in our present system; it would, obviously, be impossible to start with, say, a skilled grade and yet throw the State industries open to all. This class is, at the same time, the one that most urgently needs help and, in this respect, the scheme differs from most other agencies whose efforts are applied to the betterment of the position of those, such as trade-unionists and skilled workers, who are several removes from the bottom of the industrial ladder. The fixing of the initial wage will determine the higher limit of the grade of labour first employed; the higher the wage is fixed, the higher in the scale of efficiency it will reach, and will form the line of demarcation between the labour of State and of private industry. The danger of putting the initial wage high is obvious when we reflect that even a sound and effective organization could not cope with labour in unmanageable quantities; although, therefore, a benevolent, but rash, public opinion might be disposed to start with a comparatively high wage, the truer benevolence would be to make a safe and sound start the point of chief importance, for the initial wage is only temporary and would, even if fixed low, prove a blessing to the thousands of workers now drawing out a life of misery in the sweated industries. A considerable advance on the "sweated" wage, together with an eight hours day would attract a large volume of labour for organization and training; but whether this volume would come within the range of effectual control would depend upon the particular point at which the wage was placed. The main benefit, however, is to be derived from the natural increase of the wage, when once established, and to sacrifice this permanent, for the temporary, benefit would be a palpable misapplication of benevolence. The lowness of the initial

wage is, in fact, a matter of small importance compared with the results to be expected from the successful establishment of the new industries; present conditions may continue for years, decades or centuries, if no new principle is introduced; but the duration of the initial wage, however low it may be placed may be measured in weeks or months—just so long, in fact, as it takes to properly organize and train the labour, test its capacity and value its product, thus forming the permanent economic wage representing the actual power of wealth production of the workers.

The attraction of a high State-paid wage would be felt beyond the confines of home industry; it would have its effect even on foreign labour, either indirectly by counteracting the movement of labour to other countries, or directly by actually drawing the lowest grade of foreign labour to participate in the advantages resulting from the new industrial organization. This applies more especially to countries that are contiguous and which, therefore, offer little or no obstruction to the free movement of labour.

A high wage permanently existing in one of several countries must necessarily act as a powerful attraction to labour in the other countries. The advance of wages in any country under the competitive régime must be considered as a direct attraction to foreign labour; there must be the tendency for labour to flow towards the higher wage until, by the operation of competition, wages return to normal conditions. From this we see that it is absolutely futile to endeavour to establish a high national standard of living under a competitive régime.

Any labour attracted by the higher wage or other improved conditions in force at the State industries would, on the contrary, provided it did not come in too great quantities be absorbed in the State industries and organized along with the home labour; so that an influx of foreign labour would cause no serious difficulty, and could have no detrimental effect on the ultimate success of the scheme.

It may be remarked, however, with regard to the international aspect, that modern civilized nations are all equally concerned in the transformation of present industrial methods and that, when the scheme has once been tested and proved a success it must speedily be adopted by other countries, each country thus organizing its own labour. It has been urged against this conclusion that the great benefits which the Free-trade policy has conferred upon Great Britain have not convinced other countries, mostly protectionist, that this policy is the best for themselves. This objection assumes that the benefits claimed for the Free-trade fiscal system are indisputable, whereas the modern controversies arising out of the question are a sufficient proof to the contrary. Others again object that even if the scheme were proved to be feasible and all that is claimed for it, the vested interests existing in other countries

and the governments that represent them would find methods of frustrating any attempt to secure its adoption. Allowing for all these influences, it may, nevertheless, be confidently predicted that, sooner or later, the mass of the people, in whom the real power lies, will assert itself, and the perpetuation in any modern civilized nation of poverty and misery by the side of nations in which these conditions have disappeared is altogether unthinkable. Inventions that have proved their worth are adopted by all civilized nations, they cannot be confined within boundaries, national or other.

The initial wage will continue, then, until the periodical valuations disclose the fact that the weekly average value per head of the output exceeds this temporary wage, when the latter will be increased to the value of the average production valued at the retail prices ruling in private industry.

The grade of labour being of the lowest efficiency, it appears, to many people, that the prospect of any tangible return would be exceedingly small; and, if the object were to train and organize this labour to produce goods at such a price as would enable their being placed upon the open market to compete with similar goods, there is good ground for this pessimistic view, although effective training and regularity of employment would accomplish much even under these conditions. The labour is, however, not to be applied simply to produce a value so low as to allow of its bearing, in addition to the several profits of the manufacturer, merchant or retailer, the very much larger burden imposed through the necessity of making provision for parasitic industries and other forms of waste before it comes into the hands of the actual producers, who are likewise the consumers. The real value is secured to the workers at the State industries by the device of pricing their produce at the full retail prices, which represent the values that consumers have to pay for their own productions in private industry. There is thus a wide margin between the two values, which would make possible, even while the labour is still of low efficiency, a rate of wealth production valued at current retail prices much above the average wage actually earned in private industry by the class of labour employed. Assuming that parasitic industry bears such a proportion to real industry as has been suggested in a previous chapter, the suppression of all this waste energy within the State industries means the concentration of all that labour on the production of real value instead of partly real and partly parasitic, thus, possibly, more than doubling the effectiveness of the labour. Broadly it means that two low efficient workers are engaged in producing what is expected of one efficient worker in private industry, and though two such inferior workers might not, at the outset, produce the equal of the efficient worker, the more efficient the workers, by training and regularity of work, became the nearer each one would approach the efficiency of the efficient worker outside, and that, therefore, the average output

of each State worker would tend to become eventually double of what is producible at the present time in private industry.

This does not, of course, imply that one efficient worker may actually produce double of what another efficient worker can produce, for the latter by comparison would scarcely be considered efficient; but the system itself, by the elimination of half the labour energy now being wasted, makes it possible for two efficient workers to be employed in producing real wealth where one is now employed, with a doubling of the actual production, or, in the alternative, a reduction of the hours of labour to half, if the output is to remain the same.

The valuation of the wealth produced at the State industries by the standard of value already existing is the only reliable gauge of the values created; and, being the only means for the expression of relative values of which people have any practical knowledge, the existing prices must serve as the basis of the first valuation. This is a temporary expedient for bringing the new standard into working contact with the existing industrial conditions which it is eventually to transform. Future valuations will be made on the values existing at the time of the valuation and it is evident that, with a minimum wage tending to rise and driving up wages in private industry, values and prices must continue to change, and these alterations in prices will also take place at the State Stores. The adoption, then, of existing prices is a further adaptation of the scheme to present industrial conditions.

The necessity of maintaining the prices of the State-produced goods at the prices ruling for similar goods in private industry is thus fundamental, and particular care would have to be taken that this condition was strictly carried out; for, if the prices at the State Stores were lower than in private industry, there would, naturally, be a tendency for those in private industry to buy the paper to secure the cheaper articles, very probably for trading purposes; while, if the prices were higher, it would be impossible to change paper and coin as equivalent values, and, moreover, the minimum wage would not represent the real wage as compared with private industry. There would be no difficulty in keeping the prices at the State Stores to agree with those ruling in private industry, nor would it be of serious consequence if one or two articles for a time escaped revision; for, although there might be a run on these articles for a short time, this in itself would call attention to the discrepancy, when the price could be put right. But whilst, in exceptional cases, such temporary differences might exist without appreciably affecting the result, it would be imperative that the great bulk of the goods were kept rigidly to the prices prevailing in private industry. In this way the periodical rise in the National Minimum produces changes throughout all industry, State and private, which changes are, therefore, consequent on, and adaptations to, the new conditions imposed by the adoption of the new standard of exchange. In

other words, the State industries, by the establishment of the minimum wage and its subsequent increase, are making it possible for the labourer to secure a just recompense as a first charge upon industry and as a condition to which industry must adapt itself. The continuous change in prices, or values, of the products of industry are, therefore, the result of the increasing real wage secured by labour, whose first claim the prices reflect.

With regard to the periodical valuations and the successive increments in the minimum wage declared from time to time as a consequence, it may be noted that these results come about automatically and are not dependent upon the will of any political or other party. If the wealth has been produced, it must be distributed by means of the mechanism provided, whatever political party is in power. If, for instance, the valuations are quarterly and a particular quarter's workings are shown by the valuation to have resulted in the production of goods to the value of five shillings per head above the current minimum, these goods, or wealth, will be actually on hand in the Stores, and cannot possibly be distributed or sold to the holders of the paper currency until a further issue of the paper money has been made to cover it; for the paper actually issued only covers goods to the value of the previous average, and, therefore, if all the paper were presented at the Stores in exchange for goods there would still remain on hand goods to the value of this five shillings per head. The only way to effect a distribution of this is to issue paper to the extent of five shillings per head, and this is equivalent to an increase of five shillings in wages. There is thus every inducement for the workers, not only to increase their efficiency, but to apply their productive energy in every way, because they know that they will see the result in a tangible form and with automatic certainty.

The complete control and direction of the labour employed at the State industries for the production of the kinds and quantities of goods for which they have the directly expressed demands is a fundamental condition of the success of the scheme, and this involves a disposal of a portion of the labour, which appears to many people, in the present light, altogether incongruous. This is the continual transference of a certain amount of labour from one occupation to another. Fluctuations in industry arise, under the present system, from many and varied causes, including such disturbing influences as changes in fashion and the disappearance of some industries and the growth of others owing to social progress and industrial developments. It will probably be freely admitted that workers thrown out of work by changes of this nature, and forced to sell their labour for a pittance to secure a livelihood, are no more responsible for these changes than others of the general public, and that, consequently, the inconvenience and, it may be, suffering they have to face is only one of the many phases of social injustice inherent in the

competitive system. Under the regulated system of the State industries this injustice would be eliminated by the transference of labour from one industry, in which the demand had fallen off, to another industry in which the demand had risen. Such labour would, of course, be paid the ordinary minimum wage, whether they were working at an occupation in which they were fully efficient or at one they might be just learning. This course is not only just to the individuals actually affected, who, being in no sense responsible for the changes, take up these new occupations for the public convenience, but is essential to the maintenance of the reciprocal basis of the State industries; for if these workers were allowed to undersell other labour we should soon have the reappearance of present competitive conditions, and the great body of the workers would be the principal sufferers through the change. It consequently pays to be just, and if the spirit of amity is itself not so strong as to dictate this course, reasonable self-interest should dictate the same course. Thus the infinite number of industrial fluctuations arising from the want of industrial regulation would be gradually reduced by the regulating action of the minimum wage on general industry; but the fluctuations now due to such causes as those just mentioned, which are a permanent feature of a free and progressive society, must be met by the deliberate transference of labour from and to the particular branches of industry affected.

The hours of labour at the State industries would, of course, have to be arranged with due regard to the convenience of all concerned, and, no doubt, the eight hours day would, at the commencement, be adopted in deference to public sentiment. This would be a further adaptation to present conditions, and the State hours would, no doubt, eventually come to be recognized as the standard for all industry; and when there were, as there very probably would be, reductions of the hours at the State industries from eight to seven or six, a corresponding reduction would follow in private industry. On this point, however, much will depend upon the conditions in the industries themselves, and it might be more economical to retain the longer hours for the works and machinery, but adopt shorter shifts and relays for the workpeople. In any case there must necessarily be a tendency to reduce the length of the worker's day, allowing him more leisure for recreation; and improvements in this direction would be shared by workers in private industry.

The minimum wage here contemplated will be seen to be totally different in character from the arbitrary legal minimum—whether in its ancient or modern form—in which politicians and labour organizations seem still to place so much hope. The former has an essentially economic basis, the forces of industry being controlled and directed to produce the definite end desired; the latter seeks merely to impose the responsibility of payment on certain sections of society without in any way guaranteeing the power to do so, leaving, in fact, industrial forces free to effect

a speedy return to the normal conditions inseparable from the unregulated system.

The National Minimum Wage thus becomes the new Standard of Exchange-value, based upon the actual producing power of labour, assisted by machinery and every modern labour-saving device. No one need sell his labour in private industry for less than this, and all industrial values will necessarily adjust themselves automatically to it. This new Standard of Exchange will naturally tend to rise higher still with every labour-saving improvement invented.

Without the deliberate regulation of industry all attempts to impose a national minimum, whether by law or trade-union action, must be absolutely futile, and the longer, therefore, public reforming energy is expended in the futile endeavour to attain the impossible, the longer must present conditions continue.

CHAPTER XV.

Economic Readjustments.

THE object of the Industrial Counterpoise being to completely revolutionize the industrial system and, through this, the whole social system, brief reference will now be made to the more immediate changes that must follow its adoption, with a view of indicating the probable lines upon which this peaceful revolution will proceed.

Dealing first with the economic development, we may remind ourselves again that the main industrial advantage is to be derived from the diversion of the vast amount of labour from parasitic and waste industry to the production of real wealth. The general economic action by which this diversion is to be effected may be illustrated by considering one or two particular industries.

There can, of course, be no certain rule for discriminating between real and parasitic industry. Some industries are devoted mainly to the production of real wealth but employ, in the process, various forms of wasteful labour. Other industries are of a purely parasitic nature.

In the case of an industry producing mainly real utilities but employing, in the process, such forms of wasteful labour as that of the traveller, canvasser, advertising agent, with the labour represented by their expenses for travelling, hotels, newspaper and other forms of advertising, general printing, and the like, the effect of an appreciable advance in wages consequent on the rising minimum wage is to increase the cost of production, and this means entrenching on profits unless either the price of the product is raised, or economies in other directions are effected. To raise the price of the product as the minimum wage advances will, no doubt, appear to be the obvious course to adopt on the analogy of present methods. The raising of the price of the product, however, would mean that the price would also be raised within the State organization; this would tend to raise the minimum wage higher still, which the industry in question would have to bear, together with a correspondingly increased cost of everything used in the process. It will be seen, therefore, that a limit is set to the upward tendency of profits which, in the long run, could not exceed the normal profits permitted by the state of industry as modified by the Counterpoise. Whilst, however, there is this limit to profits, there is also a limit to industrial losses; the conditions created by the new organization would make highly speculative undertakings almost impossible, the high wage to be paid being an effectual check on this class of investment. Profits, within the restricted limits, would thus be more regular, but with a tendency to decrease as the efficiency

of the State industries increased. This is just what might reasonably be expected from the gradual elimination of the speculative element in industry.

The same result would be obtained if all the manufacturers in the particular industry entered into a combination to raise prices, for they would be raising the minimum wage against themselves. In the case of the formation of a trust or syndicate, under our present régime, we have the conditions voluntarily adopted by which the class of unproductive labour just mentioned would be rendered unnecessary and, therefore, dispensed with, for the whole trade would be so organized as to obviate competitive practices. This is not to suggest that the formation of combines is a development to be anticipated from the adoption of the Counterpoise, but to emphasize the fact that a certain kind of waste labour, employed solely because of the competitive element in industry, naturally drops out when this competitive element is displaced. With limited profits and high wage cost there would be very small inducement for new competitors to enter the field against established industrial concerns. Competition must, therefore, become less keen, and eventually the normal demand would come to be distributed naturally over the established industries, which would be run with regularity to meet a regular demand. Travellers, canvassers, and those engaged in advertising processes, would thus be rendered quite useless, and would have to find more useful employment, either in other avenues of private industry or at the State industries.

A conspicuous example of an occupation of a wholly wasteful or parasitic nature is that of Industrial Life Assurance. Life assurance—whether industrial or ordinary—exists because the speculative element in industry creates those vicissitudes of fortune the ill effects of which it seeks to ameliorate. If the vicissitudes of fortune can be done away with, the necessity for life assurance will be gone. The effects of the Industrial Counterpoise will probably be felt here with greater promptitude than in many other spheres of waste industry. The advance of the minimum wage to such a point as will ensure an adequacy to all will make the most natural provision against that sudden expense which industrial insurance is now intended to meet. Sudden expense, consequent on death, being met by a mere adjustment of income or a call on a fund always accessible, would make the payment of collectors and canvassers altogether superfluous; this class of insurance business must, therefore, gradually decrease for the reason that its function would become less and less necessary. With a decreasing business fewer insurance agents and officials would be required. Collaterally with this tendency to restrict the scope of life assurance and the consequent diversion of the labour therein employed, there is the direct attraction of the minimum wage to the large class of collectors and canvassers, who have, thus, in the decaying of their own industry and brighter prospects

elsewhere, a double incentive to quit the parasitic occupation. Shareholders, too, will naturally divert their investments from decaying to progressive forms of industry.

Possibly some people who are familiar with the habits and inclinations of the present body of insuring public may reflect that it is not uncommon for the working classes to increase the amount of their insurance premiums as their means of doing so increases, and that the wealthier classes, being financially able, pay much more considerable sums for insurance. This is quite true, and the inference is that, with an increasing wage, there would be a great expansion of the insurance business. It must be remembered, however, that the bare principle of life insurance is not now, if it ever was, the sole motive of a life-insurance institution, but that it is coupled with the principle of investment, or profit-making, both in the form of the policy and in the motive by which policy-holders are largely actuated. A very large proportion of insurances are, in fact, effected with the avowed object of laying money aside in this convenient form to be returned with interest at some future date, a peculiarly speculative element being imparted to much of this class of investment by the chance of these returns being made at a comparatively early date through the death of the life assured. The element of speculation pervading industry has, as we know, through the intermediary of our insurance institutions, expressed itself in the most repulsive form of direct speculation in lives, and it has been necessary to invoke the arm of the law to counteract this tendency to civilized gambling in human flesh and blood. In order to form a true estimate of the economic nature of life assurance, it is necessary to bear this distinction in mind, and it will then be seen that if, by a readjustment of the industrial order, the application of the true principle of life assurance is rendered unnecessary, these institutions must disappear, and the particular methods of investment and speculation they serve must disappear too.

The investment department of Life Assurance is, of course, only one amongst many of the forms of investment and saving rendered necessary by the profit-making system. Whether it be working class savings lodged in a Savings Bank or put out on mortgage of real estate by a Friendly Society or Trade Union, the investment of large amounts by capitalists in Government securities, or the purchase of interest-bearing industrial debentures, all investors either know definitely or have a vague idea that the interest accruing on their investments is the result of speculative industry—that somewhere in the industrial system there are those engaged in making the gross profits from which the interest on these investments is deducted as a preferential charge. As the effect of the Industrial Counterpoise would be to gradually reduce profits, it follows that the interest on investments, which is of the same nature as, and depends upon, profits, would also tend to reduction. The

regulation of the industrial system, by means of the Counterpoise, would thus provide the individual with those material securities that would render him independent of such devices as insurance and saving for protecting him against the unforeseen consequences of the competitive system. Security of an adequate income would, in fact, render unnecessary the class of investment having for its object the provision of funds for meeting such times of need as are, under the present system, certain to come. The diversion of so much waste labour to the production of real wealth must so enormously increase the amount for distribution that the possibilities of wealth accumulation at such a small rate as 2, 2½, 3, or 4 per cent during a number of years will appear altogether insignificant compared with the accumulated earnings of even a few months under the altered conditions. In an advanced stage of the new order of things, a worker at the State industries might expect to possess without saving, or abstinence, not only a permanent source of income but an accumulation of wealth resulting from it, a balance to his credit at the State industries and, possibly, at a private bank as well.

It would, of course, be impossible for anyone to even approximately forecast the final result of the complex actions and reactions set in motion by this proposed change in our system. Neither the kind nor the volume of industry which the new demands, made effective by the diversion of labour from waste to useful occupations, can possibly be estimated—these new demands will find expression through the purchases of the public according to the particular inclinations of the individual. The gradual disappearance of certain present institutions and the growth of new ones, the transformation of industrial activities and the general readjustment of values, will appear, if noticeable at all, as quite ordinary developments from the new social and economic outlook.

Although we may not be able to predict many of the consequences of this form of industrial control, there are some transformations, apparently inevitable, which will completely reverse some of the relationships now existing. Thus it is only natural to conclude that certain occupations in private industry which entail extra laborious exertions, or are of a particularly unpleasant nature, will not attract labour excepting at a comparatively high wage or, what is much the same thing, a considerable reduction in the hours of that particular employment. The price of the product of such industry would have to be adjusted accordingly. From this consideration, we may reasonably expect that there will be a strong tendency to displace such labour altogether by the substitution of machinery, and there would thus be the most powerful incentive to invention.

Under the new industrial order, then, Profits and Interest would undergo a reducing process consequent on the gradual

elimination of the element of risk which is their justification—the risk of loss being reduced, the chance of profit will undergo a corresponding reduction. Interest is here regarded, broadly, as that portion of profits paid for the use of borrowed capital, the rate rising as the risk increases, and is thus of the nature of profits.

With regard to rent, which differs essentially from profits and interest, the adoption of the Industrial Counterpoise would also give rise to a tendency which would effect the reduction of that part of economic rent due to the concentration of population and industry in towns, whilst there is already a tendency in existence making for the extinction of agricultural rent. The resultant of these two tendencies, pushed to theoretical extreme, would mean the extinction of all rent.

The first of these tendencies is that arising from the earning power of the masses of the people. We have sufficient evidence even now, that when people acquire the means to live in greatly improved conditions they are not content to reside in long dismal rows of houses such as are now a prominent feature of town life. There is, in fact, a pronounced tendency, for those who can afford it, to leave the town for the suburb or the country. If the means are put within the reach of the masses, it is reasonable, therefore, to assume that there would be a general tendency to migrate from the town to the suburbs and country. This movement, on the scale implied, would naturally call into existence a vastly increased transit and transport system in the extension of railways, electric tram services and the greater use of motor cars which, by making all parts of the country easily accessible, would reduce the advantage of position. Not only the people, however, but also the works must tend to decentralization, for the question of cheap labour and other economic considerations which now necessitate the concentration of industry and population together would not operate.

A general decentralization of population would naturally have an effect on present land-values. The high values at the centre of great towns must necessarily fall, while the suburban and rural values must rise, the tendency being to an equalization of land values, through the greater accessibility to all parts, and, therefore, to the elimination of rent so far as it arises from the concentration of population.

The other tendency has reference to economic rent arising from difference in fertility, or purely agricultural rent, and takes the form of the scientific treatment of the soil to increase its productive power. Differences in fertility, and differences in advantage arising from position with regard to industrial centres or means of transit, are both included in the gross agricultural rent; the latter undergoing elimination by the tendency to decentralization, the rent due to differences in fertility would ultimately become a comparatively insignificant matter even if it were impossible to reduce these differences. The possibility,

however, through the application of scientific methods, of making our agricultural land just what we wish it to be suggests the eventual elimination of rent due to differences in fertility also, and thus to the complete extinction of all economic rent. This eventuality must, if nothing else will, bring absolute conviction to the single-taxer of the utter futility of the single-tax expedient for raising the public revenue.

This tendency to decentralization of population and industry indicates pretty clearly the lines upon which such problems as housing and slums will find solution. So long as a man possesses sufficient earning power to provide a decent house and its upkeep no housing problem can exist. On the other hand we may expend vast sums of money in our efforts to properly house a class whose economic, and consequent moral, conditions are such as to deprive them of ordinary capacity for the proper management of property, without making the slightest permanent impression on the general conditions of this class; though housed in palaces of marble, without the necessary financial and intellectual qualifications, the interior of their abodes would soon reflect the poverty and depravity of the occupant.

Finally, with regard to the question of taxation to which references have already been made, if the view of the economic system here presented is correct, no method of taxation can be thoroughly just in its incidence until a reasonably just distribution of wealth is made possible. Adam Smith's four canons of taxation, as to the soundness of which there can be no doubt in so far as they apply to the present competitive system, naturally contemplate no other than a competitive industrial régime. "The subjects of every State," says he, "ought to contribute to the support of the government, as nearly as possible in proportion to the revenue which they respectively enjoy under the protection of the State. In the observation or neglect of this maxim, consists what is called the equality or inequality of taxation." The problem of adjusting the fair share of the burden of taxation as between a man of leisure with, say, an income of £5,000 a year and a working man with a wage of £50 who can enjoy neither luxury nor leisure seems, at best, altogether paltry beside the problem of equality of wealth distribution; but, from what has already been said, it should be clear that the multitudinous methods of imposing taxation with a view of effecting a fair distribution of the burden can have no more than a temporary effect on the classes affected, economic forces bringing about such readjustments as eventually remove, to a very large extent, the sense of burden and incorporate the taxes in regular industrial charges.

An ideally just system of taxation must surely depend upon a just system of wealth distribution, so that, along with the direct and equal imposition of the tax, there may be an approximately equal distribution of wealth from which to meet

it, or, at least, the equal opportunity for acquiring this wealth. The tendency of the action of the Industrial Counterpoise being, then, to gradually equalize wealth distribution, the collateral tendency so far as taxation is concerned would be to gradually transform all indirect taxes into direct taxes on the individual, the proportion of the National taxation increasing with the advance of the minimum wage. The amount of the tax compared with the amount of the wealth that the new order would make possible would be so small that it could not properly be designated a "burden."

CHAPTER XVI.

Social Readjustments.

AN effort has already been made to show from actual tendencies the great social danger lurking in the present movement towards State ownership and State control. Superficially it may appear, therefore, somewhat contradictory that a policy of State control is a characteristic of the proposal now advanced. The difference between the two policies is, however, fundamental, for, as regards ultimate social and economic effect, they are diametrically opposed. The reason is that, while the present tendencies leave the competitive principle in industry untouched, the proposed Counterpoise places an effectual restriction upon it from the commencement.

State control, from an abstract point of view, should be a power for good because the methods it adopts ought clearly to benefit the whole community; it may, on the other hand, become a power for evil if its methods, however well intentioned, result in the perpetuation, in a highly intensified form, of the present order by which the benefits accrue to the few at the expense of the many. Thus the question is not as to whether the principle of State control is good or bad, but as to whether the particular method of its application will bring about the results desired.

An all-important distinction between the two policies lies in the fact that whereas, on the one hand, under the present system, the successive developments, while raising State labour to a position of comparative privilege, leave the "submerged" and the lower ranks of labour still subject to the full force of competition, on the other hand, the control exercised by the Industrial Counterpoise would raise the lowest ranks of labour first and protect them from the force of competition and, as the State minimum wage would be the lowest in the industrial system, no position of privilege could possibly be created. There would thus be no danger of the lower ranks of society becoming, consciously or unconsciously, the subjects of exploitation and oppression by a vast State organization of privileged labour with highly paid officials and an ever increasing fringe of office-seekers and favour-hunters. Moreover, the spirit of amity would dictate that the most needy should be the first to be benefited; this coincides, as we have seen, with the dictates of economic necessity for implanting an entirely new and revolutionary principle in industry. This essential difference between the two policies is also reflected in the differing processes of social readjustment proceeding from them. Competitive conditions which foster the spirit of enmity make the voluntary exercise of right principles almost, if not quite, impossible. The force of law has, therefore, to be used to compel observance of the

principles that are accepted as right by the majority of the community and which are embodied in legislative enactments; but, in spite of the support that principles of right and justice receive from the law and governmental authority, the industrial struggle exerts so great an influence in the opposite direction that there is a constant and general pressure against both law and right, the law being frequently transgressed and right more frequently violated.

Thus our social relationships are, within certain limits, regulated by law because the necessity of social strife, and consequent human imperfections, do not permit the spontaneous and general practice of principles of social justice. It will, no doubt, be again urged, even by those who would themselves do right for right's sake, that this human imperfection must always make law a social necessity. That law and its restraining influence will be necessary, so long as this human imperfection lasts, there can be no doubt; but, with the gradual raising of the standard of intelligence and morality which every social reformer professes to expect, there must necessarily be a diminishing need for legal restrictions. The man whose desire it is to do right because it is right, is an indication of the possibilities of general human progress in this direction and, to such a man, the fact that present industrial conditions frustrate his best intentions should be the most convincing proof that, this obstruction once removed, the possibilities for social righteousness are infinite. Without, therefore, going so far as to lay down the proposition that absolute human perfection, or even a near approach to it, is actually attainable, there is ample ground for the belief that an immense stride towards perfection is rendered more than possible by the economic revolution.

Social problems are, under present conditions, largely approached by the method of legislative enactments intended to modify the effects of, but do not limit, the competitive force. We penalize owners of house-property for contravening legal requirements intended to secure to the public certain conditions necessary to health, and public safety; we devise and legalize various methods for palliating the conditions of the poor and workless; we empower local authorities to raise money to build "model" or other houses for the working classes as a step towards the solution of the housing problem; we legalize a national scheme of health and sickness insurance to mitigate certain other evils produced by competitive industry. As we have already seen this process of palliating the effects of modern industrialism, leaving the force of competition to readjust the relationships as modified, and invariably bringing out at the bottom of society the same fringe of poverty and misery, tends to perpetuate present conditions; this is directly opposed to the process that would follow the adoption of the Industrial Counterpoise aiming, as it does, at the eradication of the common cause, not at a mere modification of the various

effects, which latter must disappear with the disappearance of the cause.

We may reasonably assume that with the advancing standard of intelligence and morality there will, as a consequence of the Counterpoise, be less and less necessity for law, right conduct springing spontaneously from human beings able to give expression to their will. This possible tendency for the sense of fairness and right, possessed by the individual member of society, to make law less necessary would seem to be almost inevitable. The enforcement of only one reform, as for instance, the Health Insurance Scheme, requires not only a complicated Act but a mass of regulation and routine to ensure its proper administration. This one reform scarcely touches the fringe of the social problem and, if this process is to be repeated for many reforms, the essentially parasitic profession of the legal fraternity must grow to tremendous proportions. We should each want a lawyer, a prospect which will at once prompt the reflection that the unreformed society is much to be preferred.

As we have seen, the action of the Industrial Counterpoise would solve the housing problem in the most natural way. In the same way most other social problems would receive effectual solution; for the people, having the necessary purchasing power, could themselves provide all the benefits which innumerable Acts of Parliament attempt to wring from the competitive system for them. With advancing intelligence and moral sentiment, proper sanitary conditions would become the quite ordinary demands of the people instead of having to be forced upon them even against their means. Involuntary poverty and unemployment inevitably vanish before the minimum wage, leaving no scope for the application of schemes of charity, State or private. The need for the vast Health Insurance organizations would gradually disappear.

The manner in which the Industrial Counterpoise would affect problems that are mainly of a moral character, may be illustrated by considering its effect on the problem of Intemperance. Drunkenness is a degrading abomination in whomsoever it is found; but under present competitive conditions there is a wide difference in its effects as between the wealthy class and the working class. Drunkenness may, of course, be the means of precipitating a man of wealth into the abyss below; as a rule, however, his strong economic position enables him to indulge his appetite to a very considerable extent, his friends and acquaintances regarding his weakness with good humoured benevolence. The working man, however, whose economic position is weak, being either about, or not very far above, the level of subsistence is usually an immediate sufferer as a result of over indulgence, brings suffering upon his family, raises the scorn of friends and frequently falls into an environment that eventually transforms him into a physical and moral wreck, if not an absolute criminal.

The infirmity from which the wealthy, as well as the poor, drunkard suffers being a moral one, is not directly affected by the Industrial Counterpoise; but the social consequences of the habit, so far as the poorer classes are concerned, are materially altered, because the tendency of the minimum wage is to raise their economic status. So long as these unfortunate people were sober at work and performed their work satisfactorily there would be no depriving them of their right to work and the minimum wage. Thus the man who occasionally, or frequently, gave way to temptation would not, thereby, run the risk of being thrown upon a scrap heap of human wreckage, but would be placed in the position the man of wealth now holds and his fault would appear as insignificant.

Other social evils of a moral character would be affected on pretty much the same lines. A man might be so under the influence of the gambling spirit as to repeatedly lose his wealth, but, so long as his right to work and earn the minimum wage was secure to him, he could never be reduced to poverty. So that, just as the intemperate man might get drunk and still retain social respectability, the gambler who loses might remain as respectable a member of society as the gambler who gains.

Then we have probably the most distressing of permanent social evils in what has come to be known as the "white slave" trade. There can be little doubt that the establishment of the contemplated Industrial organization, which would be open to women as well as to men, would in itself prevent the fall of the large percentage who are driven into the "white slave" trade by economic pressure—whether in the form of unemployment and absolute want or of the creation of those combinations of poverty and vice which form a fit environment for the germination of lax morals. There are those again who are not driven into this trade by economic pressure but fall as the result of temporary infirmity, and for these the minimum wage becomes a safeguard against absolute depravity which the methods they are compelled to adopt to obtain a livelihood make inevitable. The minimum wage would thus save these unfortunate from the life of shame to which competitive industry consigns them, enabling them to still retain, if not complete, at any rate a certain amount of respectability.

Now it must not be supposed that there is here any desire to raise vice to a level of social respectability, but merely to divest it of those economic influences which intensely aggravate its effects. We thus greatly simplify its treatment by agencies other than economic. The stage of action of human society has been appropriately represented as an inclined plane necessitating an incessant struggle against the force of gravity and a consequent scramble amongst its human freight to prevent being forced to the bottom and to perdition. The degree of inclination to the horizontal is here assumed to be so great as to make it physically impossible for a man to walk in a position

perpendicular to the plane. Under conditions of such unstable equilibrium as would make walking in an upright position an acrobatic feat, the efforts of our moral preceptors to inculcate right principles of living must assume another aspect of waste, in the sense that what they preach is impossible of practice; for even the saintly bishop, towering above the scrambling multitude whom he is exhorting to walk "uprightly," is nevertheless forced to decline from the perpendicular, approaching more or less the general attitude imposed by physical necessity. This is, of course, saying no more than that, however nearly we may, as isolated individuals, apparently approach, in practice, our moral ideals, we are yet bound to conform in no small degree to the methods of our industrial régime, enjoying the fruits of industry without any compunction from the knowledge that these fruits have claimed their toll in human flesh and blood, and that of what we are privileged to enjoy others must, perforce, be in want.

The effect of the Industrial Counterpoise would be to alter the position of the social plane from the inclined to the horizontal, thus permitting a naturally upright position. When we reflect that the work of the churches, and other moral agencies, has already permeated society with higher moral ideals that, we may assume, would be put into practice if made possible, we may reasonably infer that the alteration of the plane, from the inclined to the horizontal, would be followed by a very general adoption of the upright position and that a higher moral standard would naturally ensue.

An important social modification set in motion by the Industrial Counterpoise is the gradual obliteration of class distinctions. One grade of labour only is contemplated by the proposal and, as the scheme provides for all necessary training, the distinction between skilled and unskilled must soon disappear. The gradual raising of the standard of wealth, education, and intelligence must tend to the ultimate extinction of all social ranks.

We have every reason to believe, then, that an equitable distribution of wealth, a common necessity to all mankind, will form the basis for a more general acquisition of intelligence, knowledge, and sense of moral obligations, which may be considered the complemental attributes of political democracy. Great hopes for the welfare of the human race centre round the principle of democracy. In the most advanced countries from the democratic point of view, however, the main social and industrial features resemble those of other countries, and it is fair to conclude that such democratic countries are as powerless to revolutionize their conditions as any other. The explanation of this is, no doubt, to be found in the inability of the average citizen to adequately grasp the social and economic questions that are brought before him. Industrial conditions do not allow the general body of voters the full and

impartial investigation of political questions that the privilege of the vote seems to imply. It follows, therefore, that they are influenced in the exercise of the vote mainly by the opinions of others whom they follow as leaders of authority on the particular problems in question, and these leaders, in their turn, are largely influenced by what is, for the time being, popular. This is not the democratic principle as applied to thought; and, to complete the effectiveness of the political form of democracy, those conditions are required which enable the political unit to equip himself with the means of forming his own opinion, so that the political body may express its opinion spontaneously and impress its will on public men and legislation, instead of the converse process of having its opinion moulded by public men. This equipment is made possible by the substantially equal material interest in society, and its institutions, which the Industrial Counterpoise brings about; and from this spring those intellectual acquirements necessary for the formation of first hand opinion.

In this advance of the democratic principle to its complete development lies the hope of international peace. So long as the unrestricted competitive system of industry lasts there must always be national rivalries and international industrial competition, with the consequent necessity for standing armies and increasing armaments. Whatever national differences might be settled by international arbitration or the influence of Hague conferences, the industrial struggle constantly in action in all civilized nations creates those conditions from which hostilities may arise at any moment; and the hope of a mutual reduction of armaments in the face of this industrial strife which demands, or is supposed to demand, increasing foreign markets and colonial expansion, is doomed to disappointment. There seems no ground for hoping, so long as the industrial struggle continues, that warfare between nations may be altogether done away with.

A reduction of armaments might conceivably take place, even under present competitive conditions, if a majority of the nations, possessing aspirations based on a common democratic bond, could be welded into a firm and lasting League; but the total fighting strength of the majority would have to be kept up to such a standard as would more than match the other nations that could be arrayed against them. This implies that, if any one of the nations in this league should be threatened, all the others would join forces to support it. Such an arrangement as this, however, considering the vast number of questions on which differences may arise even between nations with substantially the same aspirations, seems a very long way off, and it is certain that nations in the future, as in the past, will yet have to resort to the arbitrament of the sword, not only to protect their industrial and commercial interests, but to uphold principles of right and justice amid the

surging tides of barbarity and wickedness that threaten to submerge them. It is a question, too, whether an enforced peace under which the ravages of the industrial war are permitted to continue in hopeless perpetuity would be a less evil than the recurrence of physical wars for the attainment of higher ideals and complete liberty.

The alternative to warfare, whether physical or industrial, is surely to be found in the substitution in all nations of industrial harmony and economic freedom for industrial strife and economic servility; so that with the full equipment of political, economic and intellectual freedom, the human race may possess a common material interest in society that will raise each individual to the level of his neighbour, endowing him with an educated intelligence fully capable of estimating his own social interests, and giving him that political power by which he may stamp his own individuality on the social policy of his time.

With this complete democratic equipment it must appear to the peoples of different nations as irrational to resort to the brutality of the sword to settle international differences as it now does to settle questions purely national. The alteration, here contemplated, in the industrial basis of society would therefore create those permanent conditions of social harmony from which world-wide Peace would be a natural development; the distinctions of nationalities must tend to disappear, thus opening up the vision of the Christian ideal of a Universal Brotherhood.

CHAPTER XVII.

Conclusion.

AN attempt has been made in the foregoing pages to explain: (1) the persistence in civilized society of those practices which appear to be actuated by a spirit of enmity, in spite of an all-pervading spirit of amity, as resulting from our competitive system; (2) the principle by the application of which the industrial system may be so modified as to permit the practical expression of the spirit of amity, with such economic considerations as seemed necessary to substantiate it; (3) the effects of the action of the principle of the counterpoise so far as to indicate generally the trend of developments.

The establishment of the Industrial Counterpoise on a comparatively small scale, from which it may naturally, and gradually, expand is a feature which should commend it as a moderate and cautious step towards industrial regulation.

It is, of course, common knowledge that certain modern institutions which have attained a remarkable stage of development, both as regards a high degree of organization and extensiveness of ramifications, and which perform functions indispensable to our present social and economic order, have emerged from simple, and even crude, forms very largely by the teachings of accumulated experience gained within themselves. Our postal system, since the establishment of the "penny" post and the advent of the railway, has developed in directions that could not have been predicted; this institution has been found particularly adapted to the exercise of numerous other functions, such as the making of small remittances, banking so far as it applies to Savings and popular thrift, the provision of annuities, insurance, the telegraph, and now the telephone services, all of which were not contemplated when the post office system was founded. Our insurance institutions, too, commencing with high premiums because of the lack of sufficient data on which to estimate the risks with accuracy, have by their own experience established, in the various mortality tables, data enabling the risks to be estimated and, therefore, the premium fixed, with remarkable precision. The contrast between George Stephenson's "Rocket" and the modern railway locomotive indicates the vast advance from the state of crudity that has taken place in our railway system generally through invention combined with the experience gained in the actual working of the system itself.

This experimental method, by which the desires of the community are ascertained and provided for before the direction and extent of further developments can be gauged and the necessary adaptations made, is an essential part of social evolution; the recognition of this fact should make it clear that

the introduction of a new wide-spreading institution, involving unknown changes, in a fully developed form is altogether impossible.

The proposal now made for the institution of a counter-acting system of industry can obviously be no exception to the rule, and those who, while admitting its feasibility and apparent utility, are unable to endorse it because they cannot see what it will lead to, are taking up an attitude which, universally adopted, would effectually prevent all progress. The scheme is conceived with the double intent of meeting present needs and of responding readily to all modifications necessitated by future needs.

The aim of the Industrial Counterpoise being to implant in society such conditions as permit the full expression of the spirit of amity, it may be expected that the relationship of the two opposed religions will be reversed, the spirit of amity eventually dominating our social system.

It is to be hoped that what has been said will have made it perfectly clear that the proposal of the Industrial Counterpoise is not designed for the purpose of facilitating the transition from private ownership to complete State ownership of industry, although the new basis of industrial action it would introduce is one without which complete State ownership could not possibly come into being. The immediate aim of the proposal is to set a limit to competition and to implant in industry such a principle of action as will eventually ensure an equitable distribution of wealth.

To secure to the masses of the people better wages, or a fairer share of the wealth produced, is the professed aim of all political parties, whether Conservative, Liberal, Radical, Socialist, Free Trader or Protectionist. The definite measures of practical reform emanating from any or all of these parties, however, leave as we have seen, the system itself untouched and its main features, therefore, unchanged. The present proposal seeks to attain the same object through the, surely not unreasonable, expedient of adapting our industrial system to the end desired. The introduction and establishment of a standard of exchange based upon the actual productive power of labour assisted by modern machinery and modern methods in place of the elusive "exchange value" resulting from the combined effects of the "higgling of the market" (or competition) on the necessities of the workers (or limit of subsistence) amounts to a revolutionizing of modern industry; its result to the workers would be measured not in mere increases in wages of 10, 15, 20 or 25 per cent, to be lost again in due course by the operation of competition, but a permanent advance of several times the present real wages. Moreover, what the workers gained would not be at the expense of the so-called "capitalist" or other class, but would be diverted, in the main, from industry of a parasitic and wasteful nature.

Thus the effect of the counteracting organization would be to gradually raise the lower ranks of the wealth producers to the level of the higher without pulling any down.

The adoption of the Counterpoise would thus divide industry into two great parts, organically connected but acting upon opposite principles. This dual system may, then, be regarded as the next stage in economic development. The State organization, directly controlling the economic forces within, would indirectly regulate industry without—and so the whole of industry. Certain industries would gravitate to the State, leaving others in private hands.

It would, perhaps, be of little profit to speculate as to how long the dual system might last, and what might be future developments, for the new conditions would certainly generate new ideas, new processes, inventions in every department of activity, and consequently new social ideals. We should not be far wrong, however, in predicting that with further invention in machinery and power-appliances, and the revelations of science, the burdensome part of industry will eventually assume a very insignificant place in social economy, giving way to an expansion of the more intellectual human activities in the form of literature, science, and the arts with recreative avocations.

We are not, however, now concerned so much with far-away ideals as with the transformation of the existing conditions of conflict to those of harmony—industrial and social. Whatever our speculations may be as to the conditions of international peace, it would be unreasonable to expect a general and permanent attitude of goodwill between nations that are themselves engaged in incessant industrial strife. Whatever other conditions may be necessary it seems pretty clear, therefore, that the first and chief essential to Universal Peace is the creation of a state of universal industrial peace which, it is hoped, has been shown to be possible of attainment by the institution of the Industrial Counterpoise.

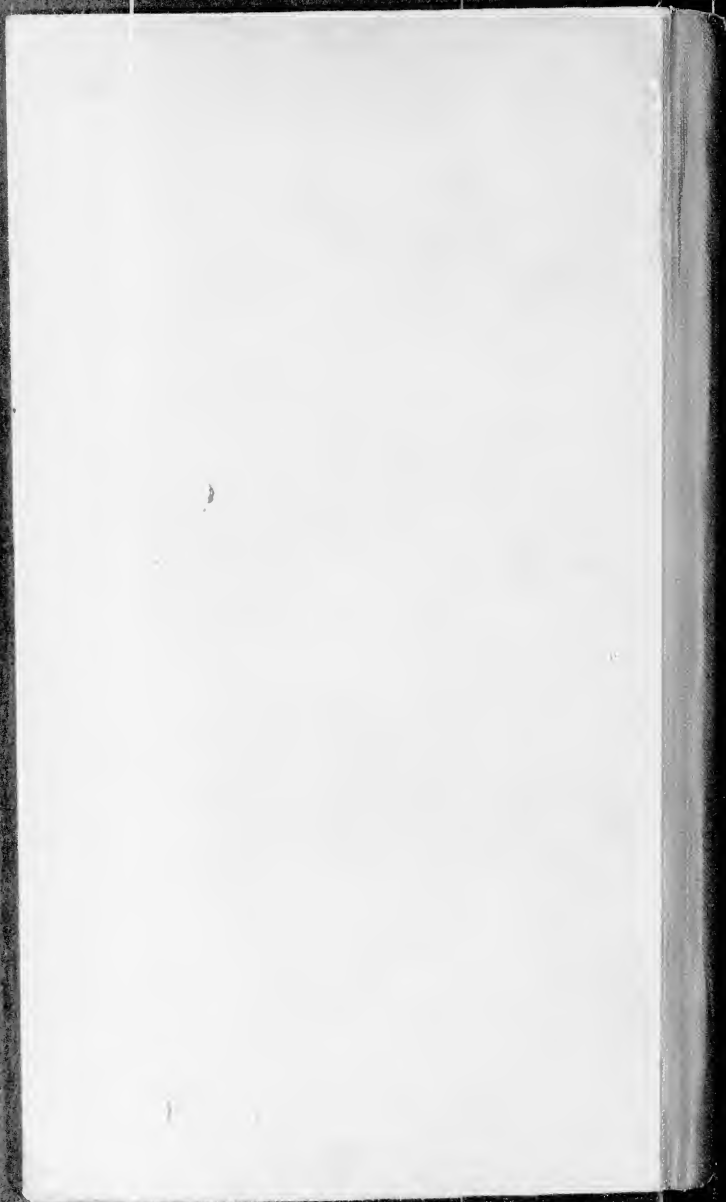
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